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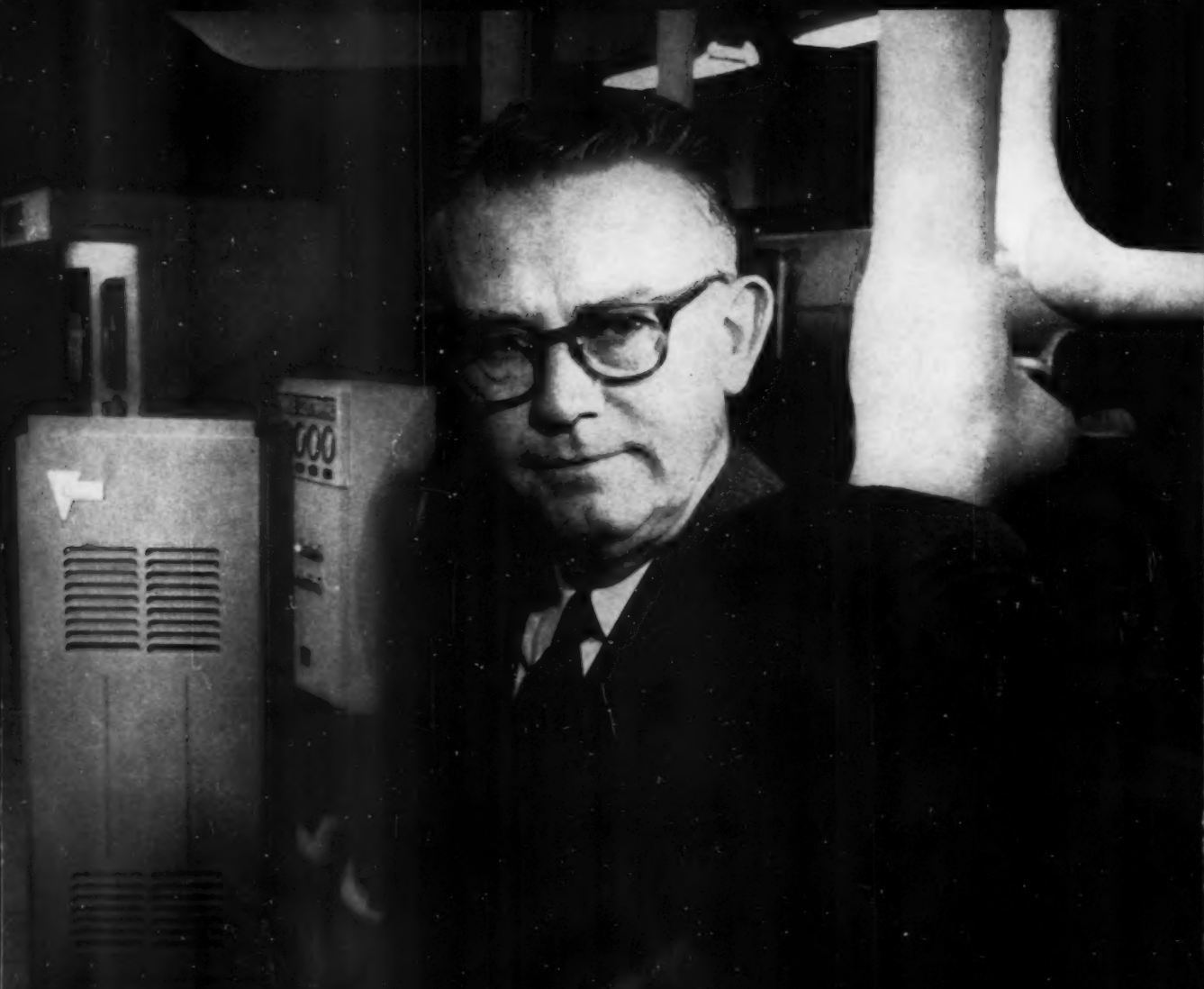
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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

FEB. 8, 1958



D. C. Minard is switching
Trane from its industrial
market to one of the
toughest consumer ones.
(Management)

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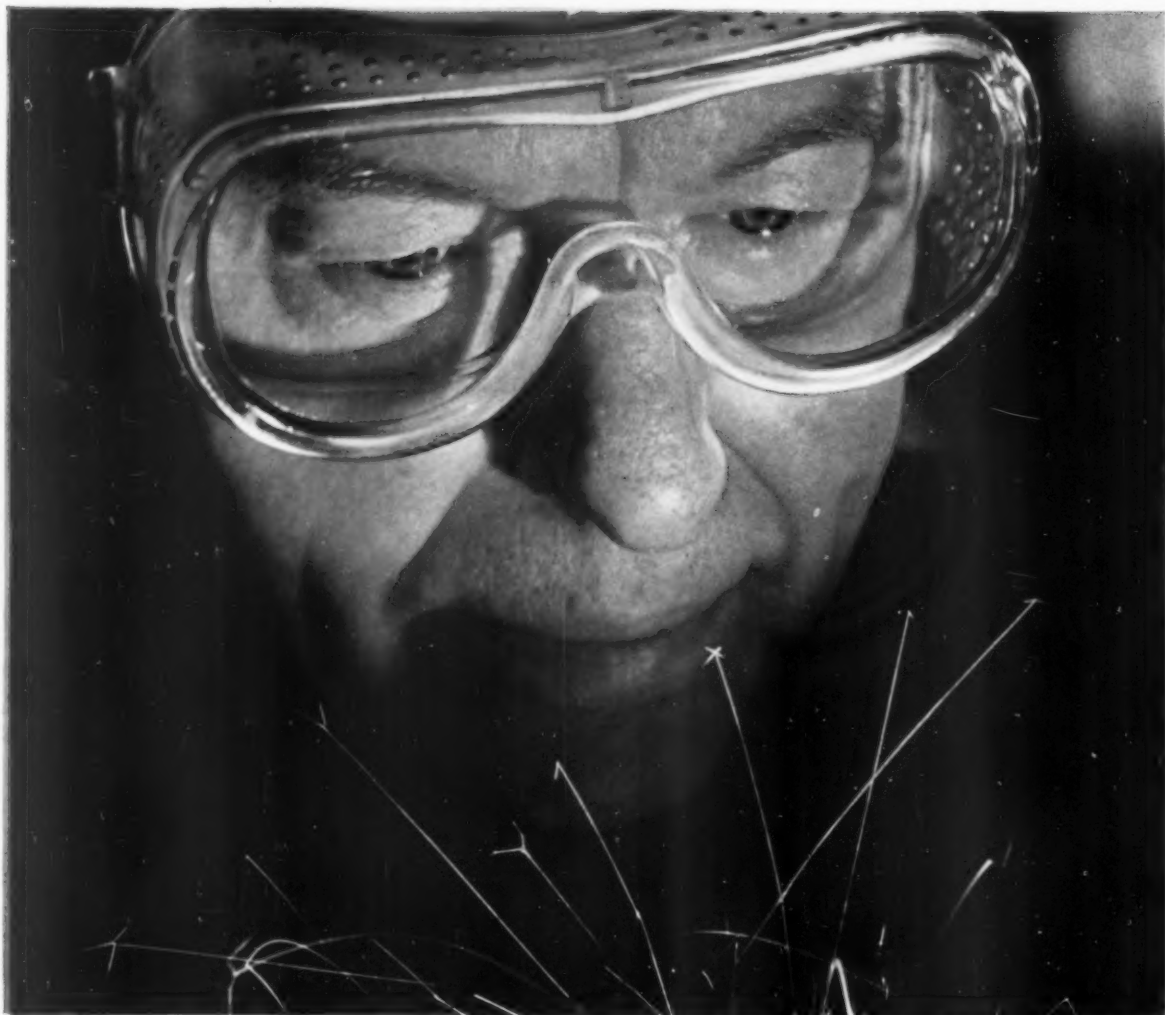


Photo courtesy American Optical Company, Southbridge, Mass.

P-s-s-t! He's been framed, but good!

He's barely aware of it: The fact that he's wearing safety goggles. Or the effort expended to lure him into using them.

Part of the secret lies in the comfort of the goggle frame. It's so light in weight, flexible, smooth and clear, he's hardly conscious of its presence.

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GENERAL BUSINESS

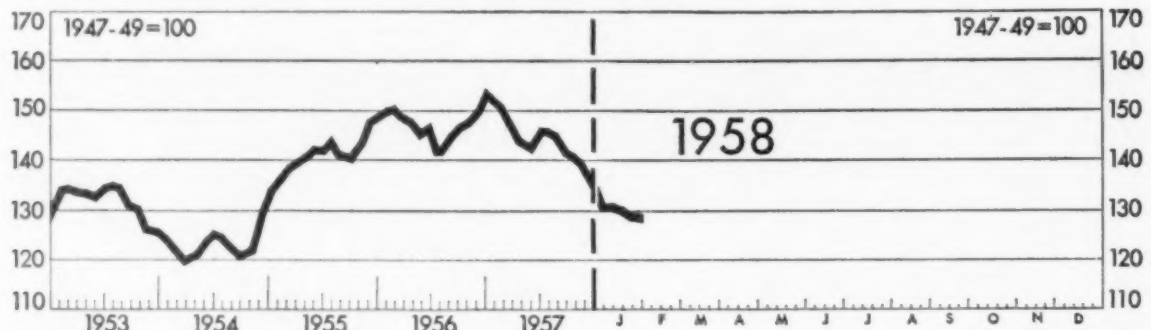
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
91.6	151.5	131.2	†129.6	*129.2

PRODUCTION

Steel ingot (thous. of tons).....	1,281	2,485	1,515	†1,459	1,454
Automobiles and trucks.....	62,880	172,923	93,304	†131,969	129,710
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.).....	\$17,083	\$58,017	\$44,075	\$43,458	\$47,979
Electric power (millions of kilowatt-hours).....	4,238	12,322	11,692	12,399	12,238
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	7,422	6,863	6,923	6,842
Bituminous coal (daily av., thous. of tons).....	1,745	1,695	1,138	1,407	1,392
Paperboard (tons).....	167,269	276,706	54,423	266,581	244,049

TRADE

Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars).....	82	66	54	55	53
Carloadings: all others (daily av., thous. of cars).....	53	45	41	40	39
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	96	148	†102	93
Business failures (Dun & Bradstreet, number).....	22	320	203	333	326

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	425.4	391.8	392.8	392.8
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	95.9	83.8	82.8	83.1
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	82.2	86.3	87.6	86.9
Print cloth (spot and nearby, yd.).....	17.5¢	18.4¢	17.8¢	17.7¢	17.6¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	171.7	181.7	181.7	181.7
Scrap steel composite (Iron Age, ton).....	\$20.27	\$53.83	\$33.00	\$35.00	\$36.67
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.04¢	34.38¢	26.92¢	24.88¢	24.91¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.35	\$2.20	\$2.22	\$2.19
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.67¢	34.88¢	34.77¢	34.70¢
Wool tops (Boston, lb.).....	\$1.51	\$2.21	\$1.85	\$1.78	\$1.78

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	44.32	40.77	41.63	42.01
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.48%	4.94%	4.74%	4.70%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	3% %	-3% %	3% %	3% %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	58,076	56,887	56,556	56,134
Total loans and investments, reporting member banks.....	††71,916	85,297	88,987	86,521	86,187
Commercial and agricultural loans, reporting member banks.....	††9,299	30,260	32,237	30,857	30,638
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	26,101	26,423	25,861	25,923
Total federal reserve credit outstanding.....	23,888	25,087	26,623	24,949	24,632

MONTHLY FIGURES OF THE WEEK

Private expenditures for new construction (in millions).....	January	\$803	\$2,324	\$2,705	\$2,361
Public expenditures for new construction (in millions).....	January	\$197	\$874	\$962	\$924
Consumer credit outstanding (in millions).....	December	\$6,704	\$42,097	\$43,530	\$44,798
Installment credit outstanding (in millions).....	December	\$3,174	\$31,827	\$33,596	\$34,127
Manufacturers' inventories (seasonally adjusted in billions).....	December	\$21.3	\$52.3	\$53.9	\$53.6
Wholesalers' inventories (seasonally adjusted, in billions).....	December	\$5,489	\$13.0	\$12.8	\$12.7
Retailers' inventories (seasonally adjusted, in billions).....	December	9.8	\$23.9	\$24.3	\$24.5
Retail sales (seasonally adjusted, in millions).....	December	\$8,541	\$16,340	\$16,562	\$16,855

* Preliminary, week ended February 1, 1958.
† Revised.

†† Estimate.
** Ten designated markets, middling ½ in.

§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Herb Kratovil; 25—U.P.; 27—L.N.P.; 30—(lt. & rt.) W.W., (cen.) U.P.; 31—W.W.; 32, 33—Burr Jarger; 34—(lt.) W.W., (rt.) L.N.P.; 44, 45—Herb Kratovil; 54, 55—(top) Leonard Nadel, (bot.) Grant Compton; 64—Herb Kratovil; 68, 69—Herb Kratovil.

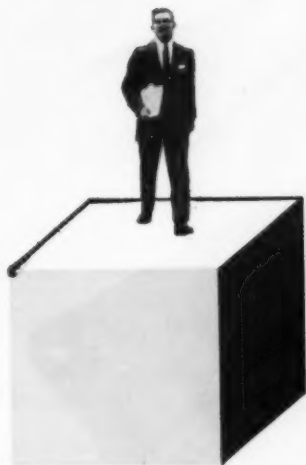
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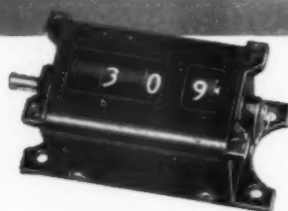
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READERS REPORT

Wrong Stop

Dear Sir:

Re: Commuters are a Big Part of the Problem [BW—Jan. 18'58, p148]. . . . this was as the younger generation calls it "a real boo-boo!"

B&M is North Station. B&A and N.Y.N.H.&H. are South Station.

R. W. CORDINGLEY

BOSTON, MASS.

Dear Sir:

. . . for many years I have been a director of the Boston & Albany Railroad. We use the South Station along with the New Haven. That is why I was interested in the recent article on railroads and the problems they are having with their commuting service [BW—Jan. 18 '58, p148]. In that article there is a picture of commuters streaming off a Boston & Maine train at South Station. Never did I know of a Boston & Maine train going into the South Station but I have been wrong before, maybe I am now.

R. OAKLEY KENNEDY

NEW YORK, N. Y.

• We went off on the wrong track, gave the Boston & Maine a new Boston home.

Commuting Problem

Dear Sir:

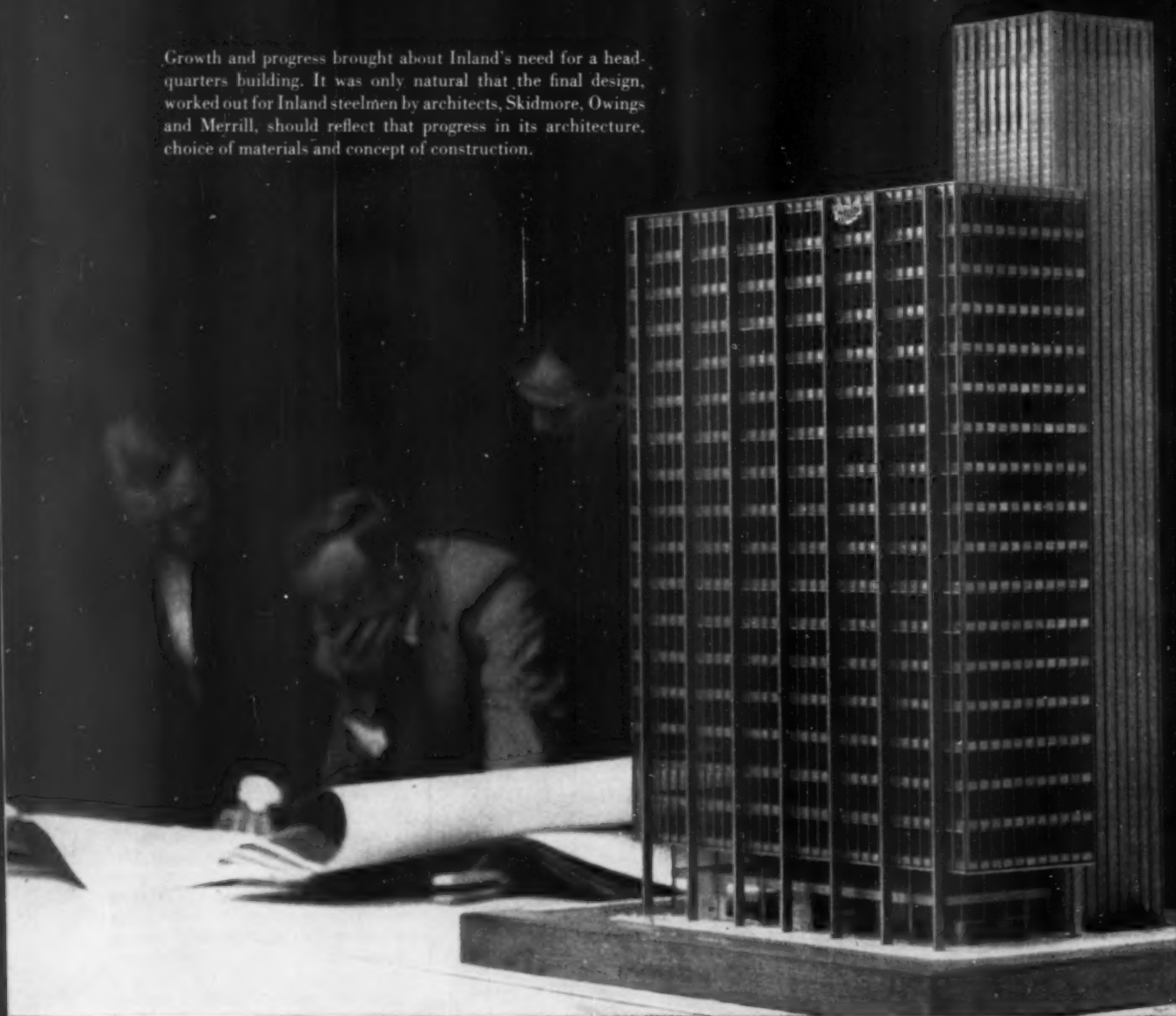
In addition to making the Boston & Maine detrain at the South Station, something which not even dynamic Pat McGinnis has tried to do, your article on the commuting problem in metropolitan Boston misstates the issue to an extent.

The map you present shows a commuter railroad network extending at least 40 miles out from Boston's terminals. This covers an area in which live some 4.5-million people. Smaller than New York and Chicago, this area is quite similar to Philadelphia and greater than any other commuting zone in the nation measured in the same terms.

Unfortunately commuting in this area has been an inadequate substitute for the automobile since World War I. Service at best was by antiquated trains at fantastic schedules to stations at the edge of downtown. MTA stops far short of reasonable rapid transit coverage. . . .

If there is any solution, it must follow Pat McGinnis' poorly reported suggestions which follow: (a) coordination of existing lines,

Growth and progress brought about Inland's need for a headquarters building. It was only natural that the final design, worked out for Inland steelmen by architects, Skidmore, Owings and Merrill, should reflect that progress in its architecture, choice of materials and concept of construction.



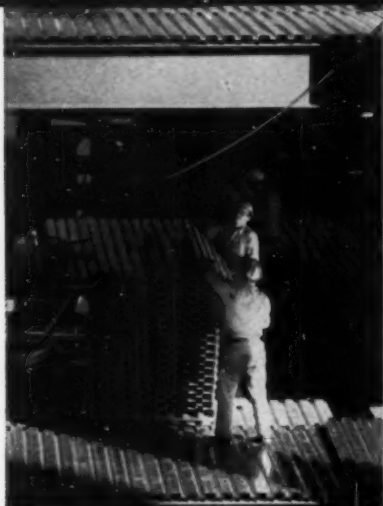
Chicago..Steel..and a new idea

Growing with the Midwest, the Inland Steel Family of Companies Builds a Unique Home Office in Chicago

The new headquarters building of Inland Steel Company in Chicago's Loop is the only building of its kind in the world. It is steel from the top of the 25-story service tower to three levels below Dearborn and Monroe Streets. The architecture is bold—and different. So was the en-

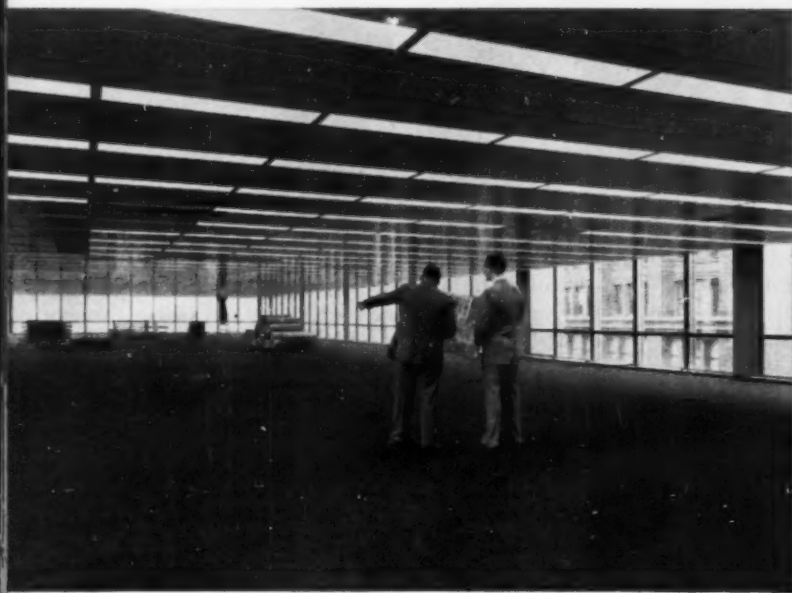
gineering necessary to erect it. Important contributions toward its construction were made by members of the Inland family . . . each one a steel specialist. The end result is an unusual building . . . a building in which no columns obstruct or interfere with interior space, in which

office planning and arrangement is completely unhampered. Sheathed in stainless steel and glass, with clean and simple lines, the Inland building has a "look of the future", symbolizing Inland's faith in steel and in a growing Chicago and Midwest.



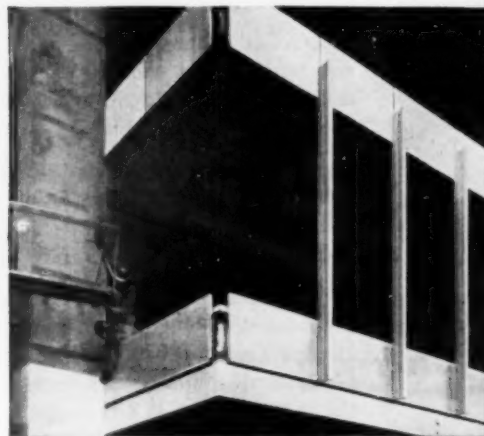
Cellular steel sub-flooring carries utility services. ▲ Milcor Cellufloor®, 750 tons of it, supplied by Inland Steel Products Company, sheet metal manufacturing member of the Inland family, helps make possible an uncluttered interior. All utilities, power and light, communication lines, hot and cold air are distributed through the cells in this steel sub-flooring made of Inland TI-CO® galvanized sheets.

A unique example of welded construction. The main load-bearing girders that span the 60-foot width of the building are welded to the fourteen vertical columns. The girders and columns were made up from angles, beams and plates using submerged arc welding in the Joseph T. Ryerson Chicago plant. Shown here, a two-story section of one of the supporting columns is hoisted into place. Inland Hi-Bond® reinforcing bars for concrete walls and basement slabs were also fabricated by Ryerson, steel distributing member of the Inland family. ▼



▲ *Widest clear span multi-story building.* The Inland Steel Building is literally turned inside out. The supporting vertical columns are on the exterior leaving the inside completely unencumbered. This new design concept, plus the removal of all elevators, stairs, washrooms and other vertical risers to an adjoining service tower, means a completely flexible, open office area in the main building.

Curtain walls of stainless steel. One of the lightest, thinnest curtain walls ever used, made of 16 gage, flat stainless steel panels bonded to 2 inches of concrete fireproofing, helped to save 200 tons of structural steel in the Inland building. Ryerson supplied the stainless steel (over 400 tons) and the technical assistance on its fabrication. The main building's exterior surface is 70% solar-tinted, double-pane glass and 30% glistening stainless steel. ▼



INLAND STEEL

30 W. Monroe St., Chicago 3, Ill.

INLAND STEEL COMPANY—producer of basic open hearth sheets, plates, bars, structural shapes, tin plate, rails and coal chemicals.

JOSEPH T. RYERSON & SON, INC.—the nation's largest supplier of steel from stock—with 18 plants serving the major industrial areas.

INLAND STEEL PRODUCTS COMPANY—manufacturer of Milcor Cellufloor® and a broad line of other steel products for the building industry.

INLAND STEEL CONTAINER COMPANY—manufacturer of carbon steel and stainless steel shipping drums and pails.

INLAND LIME & STONE COMPANY—producer of high purity limestone for steel-making, construction, agriculture and paper making.



*He could sell by the
carload in Cleveland—*

**in Memphis
his magic
*missed!***

Memphis was a soft-spot in the sales of this manufacturer's underarm deodorants. Yet Memphis is a better year-round deodorant market than Cleveland. So what was more logical, thought the general sales-manager, than transferring Dick Starkler, with his fabulous Cleveland record, to Memphis—?

Dick wasn't eager. It meant a shift for his whole family. It meant selling his home. Finding a new one. Dislocations for the kids, too — switching from one school to another in mid-term.

Dick moved. Not eagerly... but he moved. And right there the disappointments began. Dick's record in the Memphis territory was far below his stellar Cleveland performance. Far below his quota. Far below the potential of the market. It was almost as if he were another man...

The truth is—Dick *was* another man. He *was* having

difficulties in merging his family into the new community, in spite of the noted hospitality and progressiveness of Memphis. And he wasn't getting much help from his company. He was disappointed, disturbed, upset... and those things don't contribute to energetic, imaginative selling!

New Light on Transferring Business Brains

Greyvan—as a leader in the business of moving households effects for transplanted company personnel—has made the country's first Continuing Study of a real and vital problem; the Human side of personnel-moving.

THROUGH independent research organizations, and through the generous cooperation of leading businesses most experienced in moving their employees, we've found many answers to problems of loss of personnel in re-locating. Our initial findings are yours for the asking...and further data will be forthcoming soon.



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THE GREYHOUND MOVERS

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B. E. U. gives you the extra plus you need to keep your best employees. We developed **B**etter **E**mployee **U**nderstanding of group benefits out of our long experience and research because the need for it was real and great. **B. E. U.** is ours alone, yours if you write: Connecticut General Life Insurance Company, Hartford.

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CONNECTICUT GENERAL



The
powerful thrust
of a dynamic
new Huyck idea

Micromation!

New word. And a dynamic new design concept. It enables Huyck's Waldorf Instrument Division to compress a huge amount of performance into a tiny space. And results in electronic computers and servo systems of dramatically reduced size and weight. *Micromation* applies wherever the bulk and pounds of conventional components are the critical factors that limit payload and performance. *Micromation* applies to the world of aircraft, rockets, missiles and satellites.

Good example of Waldorf's *Micromation* is the W1901 Transistorized Servo Repeater. 2 inches in diameter. 4 inches long. The first complete remote control system in one, simple, plug-in "package"

including amplifier and power supply. Total weight? 13 ounces! Each such servo can replace as many as nine different old-style components that are twice as heavy and take up more than three times as much room. And hundreds of such servos may be integrated into just a single system. Translate the weight and space saved into pounds of fuel. That's the powerful thrust of *Micromation*!

Micromation is just one "for instance" of Waldorf's scope of capabilities. Waldorf ideas are at work in three major fields—electronics, precision mechanisms and fluid control. For a closer look at the Waldorf Division of Huyck (pronounced "Hike"), write for literature.

Waldorf Instrument Co. Division

F. C. HUYCK & SONS

Huntington Station, L. I., N. Y.



CARING FOR WAXED FLOORS IS...



*A cinch
with Sanax*

It waxes as it cleans!

REDUCES THE FREQUENCY OF REFINISHING

Sanax was developed to permit frequent cleaning of waxed floors *without washing away the finish* . . . and to eliminate waste in wax and labor. A neutral liquid soap with a wax base, *Sanax* not only quickly removes dirt, oil, and grease, but *leaves a thin film of wax*. In fact, regular use of *Sanax* to machine-scrub or damp-mop waxed floors *actually prolongs the life of the finish*, and thereby reduces refinishing costs on a year-to-year basis. Like all *Finnell Fast-Acting Cleansers*, *Sanax* is designed for the greater speed of machine-scrubbing, and works as effectually in a *Combination Scrubber-Vac* as in a *Conventional Scrubber-Polisher*. And because *Sanax* is processed from pure vegetable oils, it's *safe for all floors*.

Find out how you can simplify and reduce the cost of caring for waxed floors. *There's a Finnell Floor Specialist nearby to help you choose the waxes and cleansers that are exactly right for your needs.* Finnell manufactures a complete line, so you can depend on unbiased advice. In fact, *Finnell makes everything for floor care!*



A 100 Series
General-Purpose
Finnell
11, 13, 15, 18"



- A mild liquid wax-soap for machine-scrubbing or damp-mopping waxed floors
- Leaves a lustrous anti-skid protective finish
- Highly concentrated . . . economical to use

For consultation, demonstration, or literature, phone or write nearest *Finnell Branch* or *Finnell System, Inc.* 3802 East Street, Elkhart, Indiana. Branch Offices in all principal cities of the United States and Canada.

FINNELL SYSTEM, INC.

*Originators of
Power Scrubbing and Polishing Machines*



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IN ALL
PRINCIPAL
CITIES

(b) use of highway funds to cover cost of what is after all a public utility, and (c) a gradual take-over by public authority of commuter facilities. . . .

DR. CHARLES J. STOKES
PROFESSOR OF ECONOMICS
ATLANTIC UNION COLLEGE
SOUTH LANCASTER, MASS.

Disappointing Display

Dear Sir:

Re: Reds Aim to Steal Brussels Show [BW—Jan.11'58,p96], one may predict a disappointing United States display at the Brussels Fair if the preview exhibit held at the Institute of Contemporary Art in Boston was a representative cross-section of what is to be shown at Brussels.

The display in Boston consisted mostly of a mish-mash of inconsequential gadgets. The items having merit were lost, even in this small display, among the incongruous grouping of trivial, poorly designed, or inexpertly made items. . . .

BENJAMIN S. SHEINWALD
ARCHITECT
BOSTON, MASS.

Anti-Anti-Missile Missile

Dear Sir:

Your recent article on guided missiles [BW—Nov.16'57,p41] mentioned the necessity of developing an anti-missile missile. I suppose we will then devote our brains and our dollars to the ludicrously logical next step—the anti-anti-missile missile.

But before that we might be wise to spend some of both in convincing wheat farmers of the Dakotas and the Ukraine that good crops and a satisfying life do not require that they bomb each other.

ANDREW J. KANE
HENDERSONVILLE, N. C.

Missile Stock

Dear Sir:

In your list of "true missile stocks" [BW—Dec.21'57,p109] you have not included Chance Vought Aircraft. Believing that Chance Vought properly qualifies for inclusion in such a list on the basis of your stated criteria for missile stocks (10% of total sales in missiles; involved in research and development), I am writing to present my evidence.

Not once in the past nine years have Chance Vought missile sales failed to exceed 10% of total sales, and, in 1956, missile sales constituted more than one-third of total

Easier, more accurate punched-card controls...faster management reports!



New KeySort Data Punch imprints and punches in a single operation

Conveniently located to serve such varied applications as labor control, sales and order analysis, maintenance control or costing, KeySort Data Punch simultaneously *imprints* and *code-punches* production or sales information (such as — in labor control — work center, order and operation number, clock number) onto easily-sorted KeySort punched cards. Far faster, more legible than hand-written records. Compact, rugged, error-proof, the KeySort Data Punch speeds cards direct to accounting . . . makes possible complete, accurate compilation of *earlier* management reports.

Learn how KeySort Data Punch — in conjunction with KeySort punched cards — can today speed to your desk the timely reports necessary for true modern management control. The nearby McBee man will be glad to demonstrate the Data Punch's exclusive advantages. Phone him or send coupon for illustrated folder.

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BW

How do you keep your key men

covered?



Even your most valued employees can't be kept in a vacuum. They get seriously hurt... or sick... like anyone else.

When this happens, company costs go up. You continue a key man's salary as long as possible because it's good business and human relations. But he's not producing.

General American Life's Business and Professional Men's Income Protector policy can help your company to guard its manpower investment during these extended periods of disability. Because it is issued on preferred risks, net cost is surprisingly low.

Investigate B & P as a way to help keep company costs down when long-lasting disability strikes a key man.



GENERAL AMERICAN LIFE INSURANCE COMPANY



ST. LOUIS, MISSOURI

sales. Figures for 1957 and 1958 will be well in excess of 10%.

In the research and development field, Chance Vought has been involved in missile work since 1945. Our Regulus I was the Navy's first operational attack missile. . . .

KEITH BAKER

ASS'T TO THE PRESIDENT
CHANCE VOUCHT AIRCRAFT
DALLAS, TEX.

• Our listing was not meant to be all inclusive, but simply a sampling.

No. 1 Church Lender

Dear Sir:

My attention has been called to the article Churches Go to Bond Market [BW—Nov.23'57,p84]. . . . You refer to the New York Life with \$20-million of church loans and the Northwestern Mutual Life with \$17-million as the largest. The Knights of Columbus has \$31-million invested in church loans. Over the years it has invested more than \$350-million in such loans without losing a single penny of principal or interest. . . .

LUKE E. HART

KNIGHTS OF COLUMBUS
NEW HAVEN, CONN.

• The Knights of Columbus seems to win the title hands down.

First Soapless Soap

Dear Sir:

I have just read your interesting article Carpet Cleaners Roll Up Sales [BW—Dec.28'57,p108] and would like to take exception to the statement, ". . . Wade came up with what he believes was the first cleaner—a soapless soap—ever developed specifically for on location cleaning."

In 1933 our company developed an all synthetic detergent (soapless soap) specifically for on location cleaning in homes. We believe this cleaner is the granddaddy of all soapless rug and carpet cleaners. . . .

JOHN C. WITTWER

VICE-PRESIDENT
W-B CHEMICAL CO.
MOUNT VERNON, N. Y.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.



The wires shown above are used in the MATADOR surface-to-surface guided missile and are protected by ZYTEL nylon resin. They withstand heat and cold, can

be pulled through openings without damage. (The USAFTM-61 MATADOR is manufactured by the Martin Company, Baltimore, Maryland.)

Here's how you can guard against abrasion and heat with tough wire jacketing of Du Pont ZYTEL[®] nylon resin

ZYTEL nylon resin is well known as an outstanding material for making gears, cams, bearings, and a great variety of mechanical parts and products. Do you recognize ZYTEL in a less well known, but vitally important use as insulation and jacketing for wire?

Wire protected by ZYTEL is used in the MATADOR guided missile for the guidance and control system, on

the jet engine, in the stabilizer controls. It was selected because of its remarkable toughness and resistance to abrasion. No less important is its behavior in sub-zero cold and at high operating temperatures... it is rated for use in the MATADOR from -67°F. to $+221^{\circ}\text{F.}$ ZYTEL is a good wire-coating resin. It withstands rough handling of wire during production and assembly, pre-

vents cuts during the wiring of the missile, resists abrasion of pulling through holes and is not damaged by clamping.

Several formulations of ZYTEL provide the flexibility and other specific properties needed to produce rugged wiring insulation. Learn how the properties of Du Pont ZYTEL nylon resin can give you safe, reliable, maintenance-free wiring.

Watch the "Du Pont Show of the Month"—

Ninety minutes of the very best in live television—CBS network



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... THROUGH CHEMISTRY

E. I. du Pont de Nemours & Co. (Inc.), Polychemicals Department
Room 628, Du Pont Building, Wilmington 98, Delaware
In Canada: Du Pont Company of Canada (1956) Limited, P. O. Box 660, Montreal, Quebec

Please send me more information on Du Pont ZYTEL. I am interested in evaluating this material for _____

Name _____
Firm Name _____
Position _____
Type of Business _____
Street Address _____
City _____ State _____



Day in and day out, we clear, dig and drain
uninhabitable jungles and lagoons in
Central America . . . creating fertile new areas for
growing bananas and other crops for export.

United Fruit Company

Star studded with economy features

Cutler-Hammer Three-Star Unitrol



Standardized Modular Construction

All control units are 20" wide and in multiples of 14" in height. This permits easy interchange of various sizes and types of control units without rearrangement of the entire control assembly and avoids wasting space with dead panels to adapt non-uniform control units. This standardized modular construction also insures good appearance at all times because horizontal lines match.

No industrial today can afford to ignore the savings Unitrol now offers in the installation and use of motor control

Cutler-Hammer Unitrol cuts costs from the moment it is delivered. It can save days, often weeks, in the time required for the installation of motor control. The high cost of mounting and wiring individual starters is eliminated. Earlier use of the production facilities brings a speedier return on the investment. Unitrol often effects vital savings in floor space, sometimes avoids the need for costly plant construction.

In performance, nothing can compare with the Unitrol. Feature after feature of the astounding Three-Star Control saves time and expense. Superlife vertical contacts *never* require maintenance care in all normal use. Adjustable overload relay coils let motors work harder safely, save the expense of both damaged motors and needless production interruptions. Full three-phase protection such as able engineers now demand is offered by three-coil overload relays.

Compare Unitrol with any other control centers and see the difference. See how sizes and types of control units can be interchanged in Unitrol without rearrangement of the entire assembly or the waste of space with dead panels. Saves time, saves space, saves money. Compare and you too will insist on Cutler-Hammer Three-Star Unitrol. Write or wire now for full information. CUTLER-HAMMER Inc., 1275 St. Paul Avenue, Milwaukee 1, Wisconsin.



Unitrol plug-in feature disconnects control from power when unit is moved to test position, reconnects without misalignment when unit returns to operating position. Control panel is *always* vertical. Plug-in design permits back-to-back assemblies without staggering control units. Units are removed by merely disconnecting load and control wiring at terminal boards. This wiring is cabled, marked and color coded.



Unitrol provides either circuit breakers or fused disconnect switches of advanced design. Both have three-position self-aligning operators arranged for padlocking with as many as three locks in the "off" position. Recessed pushbuttons and concealed door hinges are typical features that add to safety and fine appearance.

The name UNITROL is a Cutler-Hammer trade mark



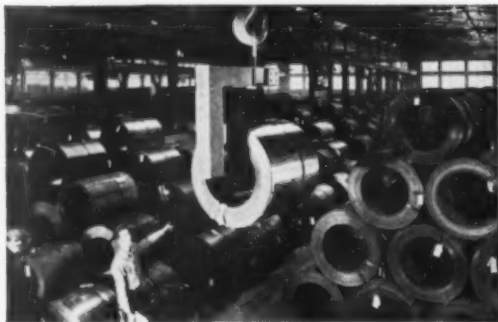
Components front of panel mounted without stacking. No crowding, no power connections near panel fasteners. Many Three-Star Control exclusives. Superlife vertical contacts *never* require maintenance expense in all normal control uses. Adjustable overload relay coils let motors work harder with safety. Full Three-Phase Protection with 3-Coil overload relays on standard size starter panels.

3 important check points on steel suppliers

FOR MANAGEMENT
CONSIDERATION



In 1917 Ryerson already had 75 years of steel-service experience



A small part of the huge steel stocks at one Ryerson plant



Spark testing Ryerson bar stocks to avoid mixed steels

DEPENDABILITY AND EXPERIENCE—Is your company establishing a sound business relationship with a supplier of steel from stock who will be willing and able to furnish steel at fair prices next year or five years from now under all market conditions? And is your company dealing with a supplier who can give you the benefit of experience gained in working with tens of thousands of other companies whose problems of steel purchasing, selection and fabrication may be similar to yours?

The supplier with the broadest experience is Ryerson—the nation's largest steel-service organization with a 115-year record of dependable performance.

CAPACITY TO SERVE—Consider this recent example: It was 10 after 5 P.M. The phone rang and a steel buyer 80 miles away said: "I've got to have 60,000 lbs. of slit coils first thing in the morning." Impossible? Not at Ryerson. The needed steel was on hand in Ryerson stocks—the nation's largest, by far. Unequalled processing equipment was put to work. And during the night coils of two different gauges were slit to size requirements. Early the next morning the steel was delivered as promised—80 miles away. This kind of service takes great capacity—and Ryerson has it.

QUALITY OF PRODUCT—Mislabelled steel cannot pass skilled Ryerson inspectors who "read" steel sparks to determine carbon content and alloying elements with amazing accuracy. And spark testing is typical of the exacting attention given to quality control at Ryerson. As a result you are sure of getting the third important requisite of satisfactory steel service—steel of known, uniform high quality, accurate in size, gauge, length and weight, and right for your particular application.

In stock: Carbon, alloy and stainless steel—bars, structurals, plates, sheet and strip, tubing, reinforcing steel—aluminum, industrial plastics, metal-working machinery, etc.



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BUSINESS OUTLOOK

BUSINESS WEEK

FEB. 8, 1958



We've had a very short recession—if the turn really is here.

Quite a few people are willing to believe it is. "Past history," they insist when someone points out a few unhappy headlines.

This mood has shown up in stock trading—though admittedly the market's rise has still to prove it isn't just another false alarm.

Wall Street at least had the makings of a stock market this week—not things you could hang your hat on, perhaps, but things that began to hang together well enough to give the bulls a tenable position:

- Our first baby moon was in space (page 27). Certainly this seemed to improve our bargaining position vis-a-vis the Russians.
- Inventory liquidation, in the view of many suppliers, had dragged bottom (page 29); orders seemed likely to improve.
- Money rates were at the lowest point since the middle of 1955.
- Washington developments encouraged a belief that business restoratives are being readied in case present optimism proves illusory (page 25).

—•—

Credit is going begging for the first time in a long while.

No really great pressure on the banks for loans has existed since last September. But it was only a short time before Groundhog Day that borrowers seemed to drop out of sight altogether.

There's always a fall in business demand for credit after Christmas (and a pay-back of a lot of loans contracted to carry holiday trade).

The January dip in bank loans amounted to half a billion dollars in 1955 and 1956. Last year, it came to about \$900-million. This year the post-Christmas rundown has been about \$1½-billion.

Banks' business loans now are little higher than they were a year ago.

Bank credit was becoming plentiful, not to say more than ample, even before the Federal Reserve stepped in to make lower discount rates effective as a business stimulant.

Late in January, the Fed began to buy Treasury bills.

This has the effect of pushing money into the banking system. Interestingly enough, the Federal Reserve action eased the way for the offering of Treasury securities to refund maturing issues.

Most of the money around now seems to be looking for short-term employment (though there naturally is some sympathetic reduction in the interest investors will demand on long-term bonds, too).

This week, buyers of the Treasury's three-month bills were satisfied with a return of a little less than 1.6%. At the same time, the finance companies lopped ½% off the rate of interest they will pay on the money they raise by means of commercial paper sales.

Business borrowing's fadeout doubtless was due, at the outset, to last year's squeeze on credit.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

FEB. 8, 1958

Commercial and industrial loans in 1957, in fact, rose by only about 1-billion. (The year before, they had soared almost \$5-billion.)

But the rate at which **business has paid off loans in the last month**—much the sharpest drop for any postwar January—primarily reflects cuts in inventories permitting, in turn, lower costs of doing business.

—●—

Consumers apparently haven't been much hungrier for credit than business—for whatever that may mean to future retail volume.

Installment debt expanded by only about \$2.3-billion last year.

That gain was half a billion less than in 1956 and not much more than half the expansion witnessed during 1955's time-payment boom.

During the fourth quarter alone—when use of installment credit always expands substantially—there was an increase of only 2%. The year before, the quarter's gain had been more than 3% and almost 5% in 1955.

Year-to-year gains in the amount of installment credit outstanding do not, of course, tell the whole story on use of time payments.

Consumers used over \$42-billion of such credit last year, a new record, and about \$2-billion more than in 1956.

However, **repayments expanded at an even faster rate**, amounting to \$40-billion in 1957 (up from just over \$37-billion in 1956).

Consumers will repay more than they borrow during the first two or three months this year. That, however, doesn't necessarily mean a buyers' strike; a net repayment is normal at this time of year.

The amount of the net repayment—and how long this sort of thing goes on—will be the point to watch.

By March, if auto sales come anywhere near matching their usual seasonal sales pattern, installment debt should start rising again.

—●—

Auto production in January, at 490,000 units, was about 25% lower than in 1957's opening month. And, to the surprise of no one at all, there were sharp changes in market shares:

- General Motors snapped up to 56% against 48% a year ago.
- Ford slipped to not quite 28% from just under 31% a year ago.
- Chrysler took the wallop, down to about 12% from 19%.

—●—

Wobbly prices, usually associated with ebbing business activity, dotted the news this week. Formal announcements ranged all the way from stainless steel through plywood, petroleum products, and cotton cloth.

Meanwhile, **reduced output** (which often aims to protect prices) was reported in pulp and paper, rubber products, and truck trailers.

—●—

Count on the January cost-of-living index to defy gravity. Greater than average January increases in food prices provide the leverage.

People probably paid less for cars in January than in December. But it's unlikely that rents, clothing, fuel or doctors' bills declined much. So costlier meats and fresh vegetables are virtually without offset.

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Pittsburgh
COLOR DYNAMICS®
improves
working conditions
in plant that makes
1½ million
screws daily

**Properly engineered color plan in the E. W. Ferry
Screw Products factory increases productive skill
and reduces danger of time-loss accidents**

NEXT TIME you select color for work areas in your plant, discard old-fashioned haphazard methods and do it the up-to-date way—with Pittsburgh COLOR DYNAMICS.

By selecting colors according to this modern system of painting you can improve productive efficiency of your workers, enhance morale and reduce danger of accidents.

An example of such results is found in the Cleveland, Ohio plant of E. W. Ferry Screw Products, Inc. This company produces more than a million and a half fasteners of many types daily for the automotive, air-

plane and household appliance industries. Besides making conventional screws, it pioneered the development and use of stainless steel screws in volume.

Several years ago the Ferry plant was painted according to COLOR DYNAMICS. The benefits from this are summarized by Robert E. Ferry, vice-president of manufacturing:

"It had been our custom to paint plant and equipment largely for the purpose of protecting them against wear and deterioration. Then we decided to color-engineer our facilities the COLOR DYNAMICS way.

"Focal colors on working parts of machines, in contrast to eye-rest color on stationary parts, help our

workers see their jobs better. We have further reduced eye strain by using restful colors on walls and colors with high reflectance on ceilings. This has reduced physical fatigue and improved concentration. Safety colors which denote hazard areas have lessened danger of accidents. All this has contributed to better workmanship. Relations between management and workers has been improved. It is highly satisfying that we have been able to get all these advantages at no greater cost than normal maintenance painting."

You can test the practical value of COLOR DYNAMICS in your plant. Try it on a machine or two, or in a complete department—and see the difference it makes.

HOW YOU CAN GET A FREE COLOR PLAN OF YOUR PLANT

● We'll be glad to mail you a free copy of our fully-illustrated book which explains the principles of COLOR DYNAMICS and how to use them in industry. It contains numerous practical suggestions. Better still, we'll be glad to prepare a color

plan suited to your type of plant, containing detailed specifications, without cost or obligation. Call your nearest Pittsburgh Plate Glass Company branch and arrange to have a representative see you. Mail coupon at right.

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☐ Please send me a FREE copy of your booklet, "Color Dynamics."
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IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED



wherever the
question is
space division
HAUSERMAN has
an ideal answer

The dignified elegance of this executive suite is in sharp contrast with the clinical efficiency of the dispensary. Yet both areas have something in common—Movable HAUSERMAN Walls.

The rich wood paneling in the office is genuine walnut while the back wall of the reception room is baked-enameled steel. These are HAUSERMAN's new HORIZON walls, completely movable when a change in floor plan is desired. Or for merely a change in decor, panels of a new material and color can be substituted overnight.

And take special note of the vinyl-textured panel in the foreground. Its opposite side is the easy-to-clean, baked-enameled wall of the dispensary.

Wherever you meet a problem in space division, you'll find the ideal solution in HAUSERMAN's complete line of movable walls. Call your nearest HAUSERMAN representative for details. He's listed in the Yellow Pages (under PARTITIONS).



MOVABLE HAUSERMAN

THE E. F. HAUSERMAN COMPANY • 7443 Grant Ave., Cleveland 5, Ohio • Hauserman of Canada Ltd. • 91 Yonge St., Toronto, Ontario



◀ **Function comes first** with Type LC Walls. Ideal for low-cost, efficient space division in office or plant. These practical partitions are available in beautiful colors and with various types and patterns of glass.



◀ **Efficiency with a flair** with combinations of attractive, flush CCF Walls. Choice of 160 colors.

▶ **Privacy with economy** in office rooms created with Divider-Wall. Low railing or glazed with clear or obscure glass.



INTERIOR WALLS

A complete line to meet every space division need



Smart move...

because all-new '58 Dodge Power Giants are the 4-way leaders of the low-priced 3

Buying a new truck represents a long-term investment. That's why, instead of habit-buying the same make again, it's wise to *compare*.

Wise, because today there's a big difference among trucks. You'll discover, for example, that only *one* make is truly new for '58. And you'll also find this one make—Dodge—now actually leads the low-priced three *all four ways*:

1. First in Styling. All-new design builds prestige for your business—features richly chromed grilles . . . safety-dual headlights . . . flowing, sculptured lines . . . wide choice of new colors and two-tones.

2. First in Power—in all popular models. New Super-Torque Power Giant V-8's deliver *extra* power that gives you the kind of acceleration you need for easy handling in traffic, greater passing safety.

3. First in Payload. You can haul up to $\frac{1}{4}$ more per trip, because Dodge builds greater *strength* into its trucks *without* adding load-robbing excess weight.

4. First in Economy. Dodge—with exclusive Power-Dome V-8 design—virtually eliminates harmful carbon deposits. Also, both V-8's and Sixes give you full power on thrifty *regular* gas . . . and more miles to every gallon.

Before you decide on *your* next truck, be sure to see and drive a dependable, low-cost '58 Power Giant . . . and get your dealer's special Dodge Truck 40th-anniversary deal. It's an *easy* way to save money!

DODGE PowerGiants

- A fresh look at the recession—and the weapons to fight it—is coming in Washington.

- The Administration still expects only a brief dip but plans an early recheck. Democrats will take their own readings.

- Treasury Secy. Anderson (right) doesn't rule out a tax cut—and that's where signs point if new action is needed. What kind of cut is hotly debated.

- But with economic dip looming as No. 1 election issue, the Administration is eying . . .



Tax Medicine for Recession

Washington is taking a fresh look at the recession, with an eye toward stronger business stimulants than anything ordered so far.

The new appraisal is being made both by the Republican Administration and the Democratic Congress—and made against a background of mounting political tension.

The shrewdest strategists in the Republican Party feel that the recession will be Political Issue No. 1 next November, dwarfing defense, satellites, and scientific progress. V.-P. Richard M. Nixon is preaching this doctrine

inside the Administration. From their side, Democratic leaders in Congress agree.

In the Administration's reappraisal there is no thought—as yet—of abandoning the theme of the President's Economic Report, that the business downturn will be mild and brief (BW—Jan. 25'58, p25).

But key Eisenhower officials are anxious to counter the impression left by the report—that the Administration believes everything necessary for a quick recovery is already at work in the economy. This may or may not be true,

officials now stress, depending on what happens to business confidence over the next few weeks.

- **New Timetable**—Here is the new anti-recession timetable:

- The Administration has set the end of March or early April for a careful recheck of the business outlook.

- If a further strong step seems necessary, it will recommend a tax cut to Congress—rather than increased spending.

- Democratic tax experts in Congress will take economic readings of their own next month. If it seems likely

that the Administration is drawing up a tax reduction recommendation, they may speed up their own present program, which still calls for a decision in May or June.

• **Best Weapon**—What type of reduction is most likely to give business a solid push forward is being debated now by top economists and tax technicians. The argument heard most often thus far—that a cut should be concentrated in the low-income brackets—is being increasingly challenged. At this point, Administration officials would rather see the cuts spread as widely as possible, including a drop in the corporation rate, as the most likely way to get quick results.

The increasing stress on tax cuts reflects a feeling that easier credit, by itself, is not likely to turn business around in the next six months or so. Additional relaxation is expected from the Federal Reserve Board—another cut in the discount rate, and a lowering of reserve requirements. But credit moves have not been timed to catch businessmen in a bouncy mood; thus their immediate expansionary force has been blunted. Credit ease is being counted on to help substantially—but only after business starts a rebound.

I. Anti-Recession Policy

In private conversations with businessmen and visiting economists, officials sound much more alert to the possibility of further steps than the Economic Report itself does. This is reflected in Pres. Eisenhower's comments, too. A recent visitor to the White House says the President is more concerned about the situation, and more inclined to take further positive action, than one would gather from the Economic Report.

Treasury Secy. Robert B. Anderson (picture, page 25) has already told Congress that he has no fixed opposition to a tax cut as a business stimulant, and can imagine a situation in which he would recommend one.

Pres. Eisenhower gave tax reduction a nod this week, when he told reporters it could serve as a powerful stimulus if required later in the year. But he coupled this with a prediction that business would turn up around midyear without any special nudge, and a warning against doing anything that would simply revive the problems of inflation.

Republicans already have a tax cut in the legislative mill, though without Administration backing. Rep. Robert W. Kean (R-N.J.), a member of the Ways & Means Committee, filed a bill to reduce the present 20% rate on the first \$2,000 of taxable income to 18% on the first \$1,000 and 19% on the second \$1,000; above that he wants cuts of about 5%. He would also reduce

the 25% maximum capital gains tax on assets held over two years to 16%.

• **Basic Policy**—Secy. Anderson's view is shared by the Administration in general. It stems from a basic anti-recession policy, which has already been tested in action.

Ideally, Eisenhower's top economic advisers believe a recession should be countered by positive action in three phases: First, easier credit; then tax reductions for both individuals and business; and finally—if required—increased government spending.

• **Reversing the Formula**—The present situation is far from ideal, by this standard. For one thing, Soviet military and scientific capabilities are forcing an increase in spending—regardless of economic considerations.

In addition, the Administration is disappointed with the timing of Federal Reserve credit easing.

II. Tax Cut Debate

That leads to tax reduction.

If Soviet military gains had not ended last year's defense reductions and turned the recovery formula backside-to, Administration leaders might have recommended a tax cut already. As it is, they want to wait another eight weeks or so to see if government spending actually leads business into the upturn foreseen in the Economic Report.

Budget Director Percival F. Brundage repeated this doctrine this week in testimony before the Joint Economic Committee. He dated the upturn at June 1, but granted there was a wide range of opinion within the Administration, some giving it an autumn date.

• **Perplexing**—If the March-April reappraisal forces the Administration to consider tax reduction methods, it will be confronted by a perplexing situation.

In theory, Eisenhower's men favor tax reductions across the board, and in substantial amount—something at least in the range of \$3-billion to \$5-billion.

The Eisenhower Administration has had one happy experience with an across-the-board reduction in the midst of a recession. On Jan. 1, 1954—following the mid-1953 business turnaround—a combination of tax cuts took effect.

The cuts included \$3-billion for individuals, spread from top to bottom of the scale and a \$1-billion excise tax cut, aimed at stimulating consumption.

But the law contained important reductions for business, too: \$2-billion through death of the Korean War excess profits tax, and a substantial part of the \$1.4-billion reductions through revision of the Revenue Code—chiefly designed to stimulate business purchases of new plant and equipment. The total package came to \$7.4-billion.

Business climbed out of the slump,

and took off on its greatest boom.

• **Democrats, Too**—The Democrats have been sniping at this cut ever since on the grounds that it unduly favored business. But it was no more pro-business than the Democratic tax reduction of 1945.

Democrats then killed an excess profits tax and dropped the corporate income tax rate to 38%—a \$3-billion tax cut for business. Individuals got \$2.5-billion, coming in a poor second. What happened to the economy is again familiar history: The great postwar boom got away to a winging start.

• **Voice of Experience**—There has been only one other tax cut in the last quarter-century—that pushed through by a Republican Congress over three vetoes by Pres. Harry Truman. This reduction, effective in 1948, was a personal income tax cut ranging from 12.6% on the lowest brackets, to 5% on the upper.

Thus two out of three tax reductions in recent times immediately preceded powerful business upsurges—and both of the cuts contained big benefits directly for corporations. The only one that was limited to individuals (1948) had no such spectacular aftermath.

The moral can be drawn as this: If a business boom is desired, cut taxes on corporations.

• **Time for a Change?**—But the argument is being pushed that this may be the time to do the opposite, and throw a big cut to consumers alone. Unlike 1945 and 1954, business capacity to produce is now substantially in excess of consumer demand. So a business tax cut this time, it is argued, might not be followed by an immediate increase in spending for new plant and equipment, and the stimulus might better be given to individuals, with special stress on the lower brackets.

• **Party Views**—The Administration is keeping an open mind but will hesitate to depart from its basic belief: that tax cuts, when called for, should go to both consumers and business.

Democratic leaders of Congress will face this same dilemma—and the outcome is not a foregone conclusion.

Democratic leaders are fiscal conservatives from 'way back. They have operated a conservative tax program since taking charge of Congress in 1955.

III. Which Way to Cut?

Actually, neither party has had any experience with the kind of bottom-rung tax cut that many Democrats are pushing. A cut of this kind has never been made, and the economic consequences can only be guessed at.

There's even some doubt about how to pass out this kind of a reduction most effectively. The approach favored by many technicians is the tax credit adopted by the House in 1955.

A \$20 credit for each exemption—by way of example—would amount to a cut of some \$2.5-billion. For a couple with two dependents and \$3,000 income, the cut would amount to \$80, or two-thirds of their present tax. The cut would be 25% at \$4,000 income. The reduction would be the same in dollars all the way up the scale—\$80 no matter how much income was involved.

• **Alternate Plans**—The last proposal that had the full endorsement of Democratic leaders was offered in the Republican-controlled 1953-54 Congress. It called for a rise in the present \$600 per capita exemption to \$700.

This would cost some \$2.6-billion. It would give a married couple with two dependents a 66% tax slash at \$3,000 taxable income, 25% at \$4,000 income, 15% at \$5,000 income, with decreasing percentages up the income scale.

A plan that in the past has aroused the interest of Rep. Wilbur Mills (D-Ark.) chairman of the House Ways & Means Committee, calls for splitting the lowest income bracket into two classes, the first \$1,000 to be taxed at—say—10%, and the next \$1,000 at 20%.

This would pump some \$6-billion extra spending money into consumers' pockets, by far the greater part in the low-income brackets. Married couples filing joint returns with taxable income above \$2,000 would get a flat \$200 cut. For taxpayers with taxable income below \$1,000, the effect would be a 50% slash.

• **Danger**—One objection to any of these devices is that changes would tend to become frozen into the law, making increases difficult if higher taxes should be desired later on. Many Administration officials and members of Congress—even some who would welcome a tax cut as a means of combating the recession—feel that inflation is the great long-range problem, and do not want tax rates permanently reduced.

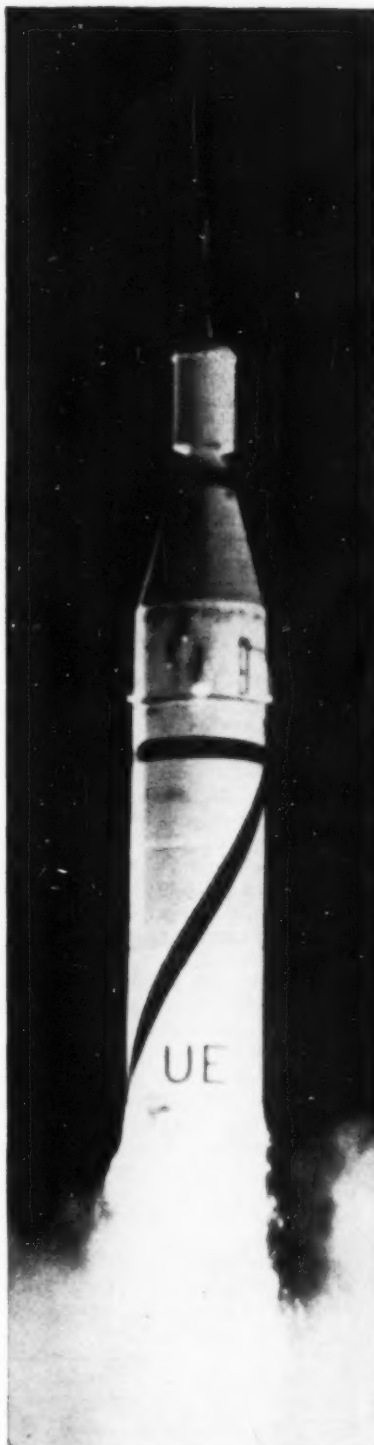
• **Single Shots**—This group is entranced with one-shot reductions, designed to release new billions into the economy without changing rates. Andrew Mellon engineered one of these; a reduction of 25% on the 1923 tax liability was approved, effective in 1924. On another occasion, Congress by joint resolution cut rates for a stated period.

Another suggestion is to have Congress vote a one-year cut.

Some more imaginative tax specialists are talking about an outright forgiveness of withholding deductions for a stated period, such as two or three months. Withholding now is running about \$28-billion per year; a two-month forgiveness would immediately free some \$4.5-billion for consumer spending. For those not in the withholding system, comparable credits would have to be provided.

Vanguard's Flop Is Army Gain

Its prestige already enhanced by the launching of a U. S. satellite with a Jupiter C (picture), the Army won still more rank when the Navy's Vanguard fizzled again.



It may take days to find out precisely why the Navy's Vanguard fizzled this week in its second attempt to launch another U.S. earth satellite. But at least two consequences seem certain:

• The Administration's decision to separate Vanguard from military missile programs will be seriously challenged again.

• It will be next to impossible to shoot a fully instrumented 214-lb. satellite into orbit via Vanguard in March, as scheduled.

From early reports by John P. Hagen, project director, it looks as if the latest fiasco, like the attempt canceled at the last instant 11 days earlier, stemmed from mechanical or electrical trouble in Vanguard's second stage. This stage, which carries all the rocket's controls, including the vital guidance system, has never been flight tested. The Navy says the trouble lay in the control system governing the first-stage engine.

• **Solid Fuels Ahead**—To some industry observers, Vanguard's second flop may be a major defeat for liquid fuels in long-range rockets. Vanguard's second stage lives on a liquid diet of unsymmetrical dimethyl hydrazine and fuming nitric acid. If much heat soaks forward from the first-stage combustion chamber into the second-stage tank containing this brew, an explosion could easily result when it's ignited. This so-called "heat soak" could also cause trouble with corrosion and leaks in the second stage.

One result may be more research and development money for long- and intermediate-range missiles powered by solid fuels.

I. Army's Flush of Success

Vanguard's second failure only underlined the new importance gained by the Army from its sensational success with the Explorer satellite. And this week the Army, basking in the light of its own moon, is prepared to ride its satellite record to even greater heights. It wants to move immediately into a four-phase space program that would culminate with a 700-lb. satellite to be tossed up by yearend. This hefty baby would transmit photographs of the earth.

The program, still unofficial, calls for shooting three more satellites into orbit, starting this March, each one progressively heavier and more complicated.

• **Advantages for Army**—There is no

question about the new standing brought to the Army. The big question is just how much mileage the satellite success will give the Army in the inter-service jockeying for position. It's no secret that the Army is unhappy over the 200-mile limitation the Dept. of Defense has placed on it for operational missiles. It is currently working on a 500-mile, solid-fueled, surface-to-surface missile, Pershing, though, and if this proves out, the 200-mile limit is quite likely to be increased to 500 miles.

But in ballistic missiles it's still an Air Force show. The 1,500-mile Jupiter intermediate-range ballistic missile that the Army developed has been assigned to the Air Force to operate. And, right now the Army is training Air Force crews for Jupiter.

• **Space Programs**—Though Washington observers don't expect the Army satellite to change any basic roles in the missile side of the defense setup, in space research projects the Army is sure to be in a strong position. Still, no one can say for sure yet whether it will get the nod over the other services.

II. How Army Did It

The policy that put the Army into its present strong position was a simple one. The Navy's Vanguard program was based on the development of a special-purpose satellite-launching rocket. Vanguard was elegantly designed to save weight everywhere and get the most performance out of the least engine. It uses a sophisticated—and only partly tested—three-stage construction, the most advanced available fuels, and a guidance system in the second stage that should be capable of putting a satellite into a neat pre-calculated orbit—but hasn't managed to yet. If it ever flies successfully, though, it should make real contributions to the art of rocketry.

But for all its still unproven advantages, Vanguard has plainly been vulnerable to trouble. The Army's approach was cruder and more direct: If you want a satellite up there in some sort of orbit, rig something together from existing stuff to get it up somehow, by brute strength and awkwardness if necessary.

• **Hybrid Device**—The rig the Army's missile men used was the confusingly named Jupiter C, which has no connection with the Jupiter IRBM—except their common ancestor the V-2. It is an odd contraption assembled from well-established short-range military missiles.

Starting point was a Redstone missile. This is a liquid-fueled rocket with a normal range of some 200 miles. It has been in service for some time, was designed by Army's Redstone Arsenal for rugged field use, is manufactured by Chrysler Corp. It has a relatively

simple guidance mechanism appropriate to its limited range. To make Jupiter C, a Redstone was hot-rodged by enlarging its fuel tank and adding some hydrazine to the alcohol it normally burns.

Thus jazzed up, the Redstone was capable of getting about 200 miles high. But then to put a satellite in orbit, it had to be given a horizontal speed of some 18,000 mph. To do this job, the technicians turned to another standard weapon, the Sergeant. This is a solid-fuel rocket, 3 ft. thick and 22 ft. long, with a range of 50 to 75 miles. Army had the Jet Propulsion Laboratory at California Institute of Technology, which developed Sergeant, make up a batch of miniatures only 6 in. in diameter. Seventeen of these were lashed together in a cluster to be carried aloft by the Redstone.

• **Something Borrowed**—The final-stage satellite itself was assembled by shipping a 10-lb. package of instruments originally intended to be used on a second Vanguard shot to Grand Central Aircraft Co., to be attached to a solid-fuel motor. After the fuel burns out, this assembly weighs just under 30 lb.

The remaining problem was to steer the affair. The Redstone itself was programmed to go as high as it could and then turn roughly horizontal. The package of Sergeants on its nose, however, had no steering mechanism at all, and if one Sergeant fired harder or sooner than another, the satellite could go off course. To prevent this, the whole package was attached to the Redstone by a spindle driven by an electric motor. Just before the Redstone was fired, the package was set spinning, to even out the thrust when it, in turn, fired.

The final aiming of the upper stages was done by hand. At the instant when the Redstone seemed to have turned just about horizontal, judging from signals it sent and from the radar track, Ernst Stuhlinger, head of research at Redstone Arsenal, pressed a button on the ground and sent a radio signal that ignited the Sergeants.

• **It Worked**—So, last week, the Jupiter C lumbered aloft and did its job with no strain. It was a rough job, and it left the Explorer in a rather unusual orbit, oscillating from 200 miles to 1,600 miles high. But it was up there and it would stay there, and the Army looked good.

• **Russian System**—A significant point is that the Army's procedure of using available weapons is the same one that the Russians used last year to put up their Sputniks. The great difference is that the Russians had weapons available that were able to lift a half-ton unit into space and steer it into a neat, nearly circular orbit.

Inventories

Even a slowdown in inventory liquidation is a gain. Now there's a modest renewal of buying. It is only on a hand-to-mouth basis, but it is helpful.

A change in the inventory cycle is in the making right now. It can have an important effect on the national economy, even though many of the businesses that are creating the change aren't aware it is so widespread.

There have been two shifts in inventory policy in the past year: (1) a year ago from inventory-building to inventory-slashing, and (2) today from inventory reduction to a policy of living from hand to mouth—buying close to needs, but buying.

It takes only a moment to see that a switch from liquidation to buying, even on a hand-to-mouth basis, is an important stimulus to the economy, just as a switch from rapid inventory accumulation to slower inventory accumulation is an economic drag. Both suppliers and users of such basic materials as steel, other metals, and chemicals told BUSINESS WEEK reporters this week that buying has resumed.

I. Effect of Leverage

Inventories have been playing a major role in the 1957-58 recession:

• In 1956, business confidence was near an all-time high. Most companies expected sales and prices to go onward and upward; they boosted inventories by \$4.6-billion during the year. At yearend, they were building inventory at an annual rate of \$5.1-billion.

• In 1957, it quickly became evident that the boom was flattening out, that there was no sense in building inventories so fast, especially when money was so tight. Instead of continuing to build inventory at the previous quarter's annual rate of \$5.1-billion, industry actually reduced inventory in the first quarter of 1957 at a rate of \$800-million.

• **Other Factors**—On an annual basis, this was a \$6-billion cut in industrial buying, yet the economy scarcely noticed the blow at the time. That's because—again in annual rates—government spending jumped nearly \$2.8-billion, exports rose \$1.7-billion, and consumption grew \$4.4-billion.

In the second and third quarters last year, inventory-building resumed at a modest rate of about \$2-billion. Sales had been good, though orders were falling off. Many businessmen expected

Take a Turn for the Better

orders to pick up soon, and they hesitated to cut production to fit current sales.

In the fourth quarter, though, they could no longer brazen out the continuous, year-long slide of new orders. They cut production, and they cut inventories at an annual rate of \$3-billion for the quarter. Taken against the \$2-billion gain in inventories in the preceding quarter, this was a \$5-billion a year jolt for the economy—the second such jolt of the year.

This time, moreover, there were no offsetting gains in government spending, exports, or consumer purchases. Indeed, these as a group were slightly down, too.

• **Type of Recession**—Gross national product dropped \$6-billion (annual rate), and the fact that we were in a recession suddenly became obvious to everyone. In today's jargon, it is an "inventory recession," but it could just as well be called other things, such as an end-of-the-capital-spending-boom recession, a defense-spending-cut-recession, or a tight-money recession.

And if it were nothing more than a reflection of the inventory cycle, the recession would probably be over in another couple of months.

For the downward phase of an inventory recession ends when enough companies decide they can't operate, even at a lower rate of sales, if they continue to pull down their stocks.

It is a \$2-billion stimulus for the economy if a \$3-billion annual rate of inventory liquidation merely shrinks to a \$1-billion liquidation rate. This usually means some companies have to stop living completely from the shelf and must start ordering again, however modestly.

II. Holding Its Own

By no means all companies are switching from inventory slashes to inventory maintenance, but BUSINESS WEEK reporters find that a majority are. It looks, too, as if the trend will strengthen. Some companies said they are still cutting stocks but have definite terminal dates in mind—from one to three or four months—when inventory should be down to a target level.

The stiffening of inventory policy might be expected to be visible first among the suppliers of basic materials to the broadest range of American industries. In a couple of the most important fields, the trend is clear.

• **Steel**—In the Chicago area, the consensus of major steel producers is that half of their best customers have cut inventories to the bone, and most of

the others will be in the same condition in a month or two.

Customers for tin plate have finished adjusting their inventories, and most tin plate mills have heavy orders. Makers of farm implements were among the first to level out their inventories, and they show signs of increasing them slightly. A few large appliance manufacturers have started to rebuild inventories, steelmen say, but orders are spotty.

On the other hand, there's no indication of a pickup in orders for bars, shapes (including structurals), and sheet before next month, Chicago steelmen say. Makers of heavy machinery are ordering little, and the mills expect them to be reducing inventories for the next two or three months before getting back into ordering.

In the Pittsburgh area, steelmen detect no genuine inventory-building, but some see a perking-up in orders. Says a specialty steel producer, the sort of steelman who's likely to feel the change first: "We're starting to get a flow of orders from customers who must have been eating their arms for the past nine months."

Carbon steelmakers talk softly of a very slight upturn in orders. They are afraid it means nothing, for they are still below 60% of capacity.

However, many steelmen insist that industry is consuming more steel than they are making right now. An industry study a few years ago showed that 790,000 tons of steel per year are needed for every point on the Federal Reserve Board index of industrial production. In the current quarter, if steel production averages 60% of capacity while the FRB index averages 133, steel output would fall around 5-million tons short of actual consumption. You can't cut inventory at that rate—20-million tons a year—for very long without running out of inventory.

• **Nonferrous Metals**—Trends in the nonferrous metal industry are mixed.

Anaconda Co. says it is selling all the basic copper it makes, but production is 10% below last year; orders for magnet wire are improving, and this kind of wire makes up about one-third of total wire and cable at Anaconda. Customers' inventories of brass are thought to be scraping bottom, and "there have been encouraging signs in orders received in the past few days."

Kennecott Copper Corp. speaks of "a few pickups in orders from companies that had reduced them," but the pickup is so far weak and inconclusive.

Nonferrous inventories are already low and will stay low well into the

third quarter, according to spokesmen for several foundries in the Chicago area. Buying of brass and aluminum, however, proves an exception—orders are running 10% ahead of December.

In San Francisco, a spokesman for Kaiser Aluminum & Chemical Corp. views the aluminum inventory situation like this:

• **Utensils**—The industry seems to have sizable inventories of finished products.

• **Aircraft**—Military buying is picking up, and orders in general seem about to accelerate.

• **Construction**—The industry is at its seasonal low, and the next few weeks should produce an upturn in orders for awnings, siding, and other sheet products and for extrusions such as window frames.

• **Automobiles**—This industry is a mystery, Kaiser says. If 1958 car sales were projected from the first 20 days of January, Detroit would wind up with a 3.5-million-car year. Of course, it won't be that bad—but Kaiser professes to have no reliable fix on what kind of production year it will be, or on what the real inventory situation is.

• **Chemicals**—The general situation in the chemical-consuming industries is described by a du Pont spokesman:

"In general—and there are exceptions, of course—inventory-cutting by our customers has ended. On the other hand, few if any are building up inventories again. They have made planned reductions and are operating with inventories at the new low levels."

It's hard to generalize among products. Du Pont's sales of cellophane, for example, have picked up lately, but the company knows its customers are still maintaining very low inventories. In polyethylene, however, customers recently cut inventories, as they do at every year-end, yet du Pont's sales were good in January. In pigments, some customers have reached the low inventory levels that they had planned, while others are still cutting.

• **The Big Question**—All in all, it appears that the inventory cycle is past its low point. This then raises the question: Is it just an ordinary inventory recession we have on our hands, or is it something worse?

Economists fear it may be something worse. The bounce-back from the spree of inventory-cutting comes as a boost for the economy, but the heaviest impact of the cut in capital spending—caused by widespread industrial overcapacity—is not likely to be felt until after midyear. Meanwhile, consumer demand for durable goods continues unusually weak.



JAMES FORRESTAL, first Secretary of Defense, was driven to suicide when his health broke down under problems of trying to unify the armed services.



NEIL MCELROY, the present Secretary, faces the same old problems. Military brass is still fighting bitterly for status in the Pentagon's pecking order.



NELSON ROCKEFELLER backed a private study of the defense setup, is now working with Secy. McElroy and others to find a workable reorganization plan.

Setup of the Defense Dept. Gets

A DECADE AGO, Congress officiated at a shotgun wedding of the armed forces, but there's considerable evidence that the marriage was never consummated.

The consequences of that shaky union figure decisively in today's furor over U.S. defense preparedness. Military organization has been singled out as a whipping-boy for almost everything that's wrong with the defense program—for letting Russia catch up with us in the development of new weapons and for our failure to come up with imaginative and revolutionary war plans to protect us in the future.

• **War Legacy**—The present management structure is pretty much inherited from World War II. The prewar Army Air Corps emerged from the war as the dominant military branch, claiming its place as a separate service.

A three-legged command structure—the Defense Dept.—was put together in 1947, with the Army getting the mission of fighting on the ground, the Navy at sea, and the Air Force in the sky. A year later, the so-called Key West Agreement spelled out the service assignments in more detail. But the conflicts and rivalries among the three services have never been resolved.

The first Secretary of Defense, James Forrestal, was pushed to suicide. The new Secretary of Defense, Neil H. McElroy, is still tormented by the same issue that shook the Pentagon then—the bitter, emotion-charged fight for professional military dominance. In this struggle, generals like James Gavin have quit in anger, and colonels like John

Nickerson have laid their careers on the line, even violated security rules.

Today, the Pentagon is in the greatest ferment ever, as the Senate's missile investigation showed. Top-bracket defense experts flooded the senators with criticism that U.S. defenses have been weakened by serious indecision in the Pentagon's top echelon and by costly rivalries among the military services.

I. Nature of Problem

Point by point, the problems boil down this way:

- The Army, Navy, and Air Force are deadlocked over questions of strategic priorities. The Army pleads for heavier expenditures to equip ground forces to fight limited or local wars and to stress continental defense against aircraft and missile attack. The Air Force argues for emphasis on retaliatory nuclear airpower. The Navy contends for a vital role in strategy for both local and general wars.

- The burst of technology has cut across the simple land-sea-air division and has pushed the three services into one another's traditional roles and missions. This has generated expensive competition for control of the new realm of space. Each service, for instance, is developing strategic ballistic missiles.

- The authority of both the Secretary of Defense and the Joint Chiefs of Staff has proved inadequate to resolve these questions decisively. Each service is run as an independent

agency, and the Defense Secretary's effort to "coordinate" their operations frequently puts new snags in the Pentagon's administrative machinery. The Joint Chiefs, meantime, are cramped by their dual functions—first as commanders of their own services, second as members of a unified strategic planning body.

- **What to Do About It?**—In post-Sputnik Washington, there is general agreement that some sort of change in the defense structure is needed. But that's where the unanimity of opinion ends; there is little if any agreement over what kind of change should be put into effect.

Talk to 20 congressmen on Capitol Hill. They'll tell you precisely what they're against in military reorganization, but most are rather fuzzy about the specific steps they would propose. An exception: Sen. Prescott Bush (R-Conn.), who has already introduced a bill to create a single Chief of Staff.

Two months ago, Senate Majority Leader Lyndon B. Johnson, who heads the Senate missile investigation in which Bush participates, seemed to lean toward proposals made by some of his eminent committee witnesses for a single chief or general staff.

But, since then, such influential senators as Richard Russell, William Knowland, and Styles Bridges have spoken out strongly against more centralized military authority in the Pentagon. Johnson has now backed off on the issue. His committee's interim report recommended only that the Administration "reorganize the structure



SEN. PRESCOTT BUSH, Connecticut Republican, has introduced a bill to put the whole military system under a single Chief of Staff, but . . .



REP. CARL VINSON, Georgia Democrat who heads the House Armed Services Committee, says that would be "national suicide." He generally reflects Navy views.



REAR ADM. RICKOVER, Navy atomic ship expert, scoffs at the whole organization fuss. "All that usually gets reorganized," he says, "are the telephone numbers."

a New Hard Scrutiny

of the defense establishment." The report did, however, call for more centralized control of research and development—either in the Defense Dept. or "through the establishment of an independent agency."

• **Waiting for Ideas**—Right now, Congress is biding its time to see what ideas for military reorganization the Administration will come up with. Defense Secy. McElroy has a group of six prominent defense experts informally studying the problem for him, and even Pres. Eisenhower has traveled from the White House to the Pentagon to preside over reorganization planning.

McElroy's group consists of Gen. Nathan F. Twining, present chairman of the Joint Chiefs; Gen. Omar N. Bradley and Adm. Arthur W. Radford, former JCS chairmen; Charles A. Coolidge and William C. Foster, former top-level Pentagon civilian officials, and Nelson A. Rockefeller, an old hand in government reorganization studies and the sponsor of a recent private report that proposed a major overhaul in the Pentagon.

The Administration is expected to come up with specific proposals on military reorganization within the next five weeks. Despite the strong views of men like Rockefeller and Foster on the need for a significant revamping of the Defense Dept.—including the establishment of a single Chief of Staff—Administration insiders do not believe the proposals will be "extreme."

• **Skepticism**—There is a strong undercurrent of sentiment in the Pentagon

and in Congress that scoffs at all the hullabaloo over reorganization. As one Pentagon man puts it: Changing the color of an officer's uniform will not change the man's judgment or prejudices on military ideas.

The military organization depends more on the nature of the people who make it up than on its structural mechanics, the skeptics say. Reorganization is not a panacea for everything that ails defense policy.

In a statement before the Johnson missile investigating committee, Rear Adm. Hyman G. Rickover, the Navy's testy atomic shipbuilding boss, said: "The easiest thing to do in Washington when something goes wrong is to reorganize. And, from what I have seen in many years, all that usually gets reorganized are the telephone numbers."

Many officials—right in the Pentagon's top echelon—argue that the Secretary of Defense already has adequate authority to make military unification work, provided he gets the President's backing.

II. Proposals for Change

As of now, the President is expected to go slow in seeking stronger unification of the Defense Dept., although his personal views are known to coincide with those of Rockefeller and Foster. An effort to push through more centralized military control would involve a knock-down, drag-out struggle with such men as Rep. Carl Vinson (D-Ga.), the powerful House Armed Services Committee chairman, and the Senate op-

ponents of a single Chief of Staff.

The Administration hasn't the appetite for such a conflict on the issue. So the outlook is only for a proposal to extend the Defense Secretary's general authority over administration of the individual services—notably broader power to control defense appropriations. Another likelihood is a plan to set up a new unified military advisory staff for the Secretary, apart from the Joint Chiefs.

Dr. James R. Killian, the President's special assistant for science, is studying whether space-flight development should stay under the Pentagon's wing or be run by a new, independent civilian agency.

• **Master Policy**—If you assemble all the recommendations that have been put forward in testimony and speeches, a master plan for military reorganization would look like this:

• The chairman of the Joint Chiefs would be named principal military adviser to the Secretary of Defense and the President. In effect, he would become a single Chief of Staff, presumably with five-star rank, with authority to set over-all strategic policy and to issue operational orders to the military commanders of each service.

• A general staff of high-ranking military professionals, divorced from their services, would be set up as the planning group for the single chief. To reduce the members' parochial interests in Army, Navy, or Air Force, they would be assigned to the general staff for extended periods of time.

• Major operational commands would be placed under the direct control of the general staff, rather than under the Secretaries of the three service departments. "Geographic" com-

mands like the European and Pacific, "specified" commands like Strategic Air, and "joint" commands like North American Air Defense already operate in line with JCS planning, of course, but they work through diffused channels. One of the military departments is assigned as "executive agent" for each major operational command, to set up its operations and maintenance budget, provide housekeeping, and so on.

- The Army, Navy, and Air Force Secretaries would be replaced by Under Secretaries of Defense for each service. The existing Assistant Defense Secretaries for manpower, research and engineering, supply and logistics, and the like, would get actual operating powers instead of being restricted to policymaking or coordinating tasks.

- Ultimately, the individual services would be replaced by operational military forces organized for specified strategic missions. Air Force bombers and the Navy's IRBM-armed submarines would be combined into a strategic striking force; Air Force tactical aircraft, Army and Marine ground units, and Navy surface vessels would be joined in a mobile tactical combat force to fight limited local warfare; Air Force fighter-interceptor aircraft would be combined with the Army's anti-aircraft and anti-missile units to form a continental defense force. Supply and logistics would be handled by a new central agency.

Such a plan is obviously a long-range one. No one in Washington seriously believes it could be put into effect in the present political climate.

- **Negative Votes**—Rep. Vinson, whose committee is reviewing defense policy, believes that putting the services under a single Chief of Staff would be "national suicide." Says Vinson: "I refuse to be stampeded into precipitous and dangerous changes merely because of [the Sputniks] . . . I have not seen demonstrated one single example of inter-service rivalry with deleterious effects on our war efforts."

Vinson reflects the Navy's traditional fear of being submerged by the other two services under a stronger military unification.

The Chief of Naval Operations, Adm. Arleigh A. Burke, is the only member of the Joint Chiefs who makes no bones about where he stands on military reorganization: He is against any important structural change. Adm. Burke believes that the present system "does something that no supreme staff system can ever accomplish—it combines authority to plan with responsibility to carry out these plans."

- **Conflicting Interests**—Even most of the Pentagon's top-ranking civilian careerists, though frustrated by the inter-service bickering and their inability to resolve the disputes, are cautious

about a major organizational overhaul. They've grown up with the present system, are conditioned to it and identified with it, thus tend to justify the status quo.

For the Air Force, on the other hand, a major reorganization—and specifically the separation of the Joint Chiefs' dual responsibilities and the establishment of a single Chief of Staff—rates top priority in reshaping U.S. policy.

III. As the System Stands

The present organization of the Defense Dept. is the product of a decade of administrative patchwork and compromise in an atmosphere of rapidly changing military technology and frenzied controversy between partisans of each service. Because of the innate conservatism—and in many cases, the vested interests—of both military and Congressional leaders, however, the organization has lagged badly behind the technology.

- **What the Law Says**—The intent of the National Security Act, passed by Congress in 1947 and amended in 1949, was to unify the military services under the "direction, authority, and control" of a Secretary of Defense. However, to make the measure palatable to unification skeptics in both Congress and the Pentagon, the law created more of a federation than a real union.

On the civilian side, the Defense Secretary's powers are limited by a provision that each service must be separately administrated. On the military side, centralized control is limited by the ban against a "single chief of staff over the armed forces [or] an armed forces general staff."

Behind these restrictions was a genuine belief (1) that decentralization would be the most effective means of running such a huge bureaucratic conglomeration as the new Defense Dept., and (2) that creation of a general staff of military strategists, headed by a single chief of staff, would put too much power into the hands of a few military professionals—"too Prussian," the critics called it.

- **Adjusting to Defects**—Shortcomings inherent in such an organization began to crop up early. It soon became obvious that more centralized authority was needed to set uniform policy. And, ever since, there has been a trend toward a stronger military merger.

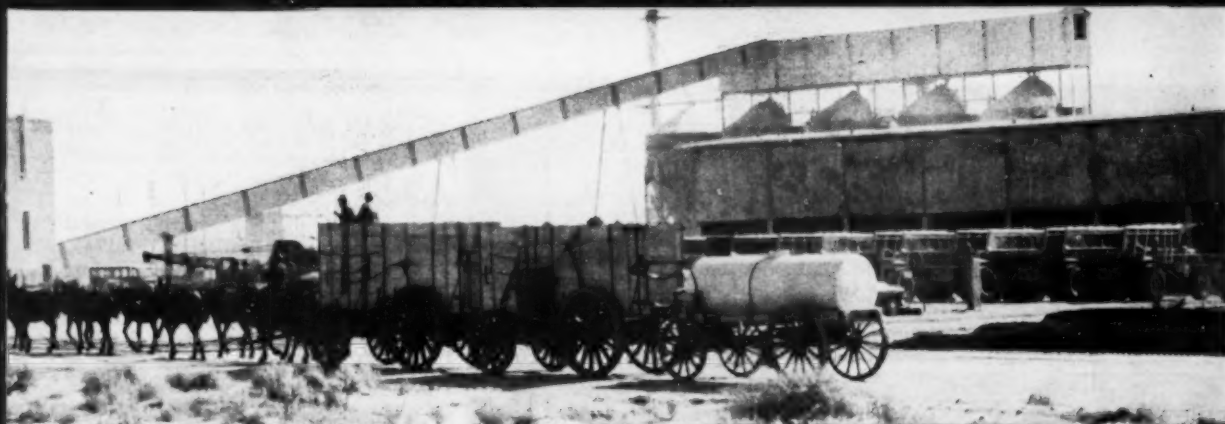
Against this backdrop of increased Defense Dept. control of the separate services, the line of Pentagon authority has become badly confused. Says one top official: "Too many people can say 'no,' and too few can say 'yes.' We've got neither integration of the services nor separation, neither autonomy nor subjugation."



YOUTHFUL PUBLIC: Whenever the venerable borax wagons come out of retirement children clamor to crawl all over them.



MIGHTY VEHICLE: On each wagon, rear wheels are 7 ft. high, front wheels 5 ft. A fully loaded wagon weighs almost 16 tons.



20-Mule Team May Roll Again

Mule strings don't haul the raw materials to U.S. Borax's new plant (above), but they may be used to advertise its output.

U.S. Borax & Chemical Corp. replaced its 20-mule teams with the iron horse back in 1910. Until then, strings of plodding mules regularly wrestled 10-ton wagonloads of borax out of California's Death Valley 165 blistering miles to the nearest railroad track.

In the 48 years since, the mule teams have been far from forgotten. Periodically, mules have been assembled, given the necessary two-month training course, and hitched to the lumbering old wagons to ballyhoo a movie or add an authentic touch of the Old West to a parade. But these have been rare occasions. For much of their fame, the 20-mule teams can thank Death Valley Days, a program sponsored by U.S. Borax first on radio and now on TV.

• **Regular Troupe**—Now U.S. Borax is thinking of reviving the picturesque wagon train permanently to represent the company at county fairs, community celebrations, shopping center openings, and the like, and over television. The company spent \$10,000 to put a team together for the dedication of its new open-pit mine and refinery in Boron, Calif. (picture, above), and it will test the troupe soon for public appeal.

The mule string could handily be used to tout the consumer products of U.S. Borax's Pacific Coast Borax Co. Div., since they already carry the 20-mule team trademark. The company's vast borate reserves now have many other uses, including solid fuels for rockets and missiles.

Actually, the term "20-mule team" is a misnomer, because they consisted of 18 mules and two horses. The horses were stationed at the sensitive spot next to the wheels of the first wagon. All 20 of the animals were controlled by one muleskinner skilled at his craft.



'ROUND THE BEND: The team sweeps majestically around a curve on the rim of the new U.S. Borax open-pit mine. It takes an experienced hand to guide 150 ft. of mule flesh.



INSURGENT J. Douglas Casey (left) and Pres. George Alpert are . . .

Battling for the New Haven

Lines are forming for a proxy fight for control of the embattled and ailing railroad. The challenging group has an investment of more than \$6-million at stake.

The weary New Haven RR, embattled by its commuter losses, its declining freight incomes, and the probability that its yearend statement for 1957 will show it \$1-million in the red, this week is heading toward a proxy fight that may bring its third change of management in the last four years.

The insurgents threatening this new fight for control of the railroad are a group of investment bankers, headed by J. Douglas Casey, president of the Chicago investment house of A. C. Allyn & Co. They want control of the New Haven's board of directors, appointment of a president of their choice—and if the road's present management doesn't give them what they seek they threaten to "take action to enforce [our] rights." Says management, in the person of Pres. George Alpert, "We will not hand over control of the New Haven to any minority group."

• **Scrimmage**—So far, only one of the participants has called this early scrimmaging a "proxy fight." Harold C. Eagan, an A. C. Allyn & Co. lawyer, used those words after he asked a New Haven (Conn.) court last week to open the railroad's preferred shareholder lists. But with Casey threatening action and claiming on behalf of his group the power of 131,385 of the railroad's 490,645 preferred shares, there's no doubt of the kind of fight that's brewing.

Nor is there much doubt why Casey

and his group want the decisive say in the affairs of the New Haven. Their preferred stock investment cost them a total of \$6.3-million; they bought the bulk of it at \$60 a share. Their shares are covered by a "put" agreement, under which the railroad must buy their stock at \$70 a share by December, 1959. But lately the road's preferred stock has been selling as low as \$14. It seems sure that the group's prime interest is to protect its investment.

• **Legal Hassle**—One thing that's not so sure, though, is the legality of the key transaction—the New Haven's agreement to buy back that stock at \$70 a share. Miss Helene Glenmore, owner of 100 shares of preferred, is suing the New Haven in a Connecticut federal court. She claims Connecticut law requires that three-fourths of all stockholders must approve a company's agreement to purchase its own capital stock and that the New Haven didn't abide by this. Her case is yet to be heard.

Meanwhile, Casey leads the insurgent syndicate which, besides A. C. Allyn & Co., is made up of Equitable Securities Corp.; Carl M. Loeb, Rhoades & Co.; John W. Clarke & Co.; Robinson-Humphrey Co.; and American Transportation Enterprises, Inc. A. C. Allyn & Co. holds 60,551 of the group's 131,385 shares of New Haven preferred.

• **Act of God**—That power came into the hands of Casey's group through an Act of God—with considerable assist-

ance before and after from lawyers, banks, and investors. And how these factors worked together also shows why the New Haven has been the target of four proxy fights in the last five years.

The lawyers and some of the investors came first. When the railroad emerged from reorganization in 1947, its charter specified that for the first five years the holders of preferred stock could elect two-thirds of the road's directors, and that if thereafter the road should fall behind by two years in its preferred dividend payments the preferred stockholders could again elect two-thirds of the board.

Within a year, Frederic C. Dumaine, Sr., used this open invitation to a power play by buying a majority of the preferred stock and gaining control of the railroad with a relatively small investment. Six years later, Dumaine was dead and the right of preferred stockholders to control the board had expired. And along came Patrick B. McGinnis, a Wall Street railroad securities broker, leading a syndicate that had been buying New Haven common stock. Cumulative voting rules written into the railroad's charter helped give his forces control of the New Haven.

The Act of God was August, 1955's Hurricane Diane. It flooded the railroad, caused \$10-million worth of damage, forced McGinnis, then president, to seek a \$10-million 10-year emergency loan. He couldn't get this without the approval of two-thirds of the preferred shareholders and a majority of the common stock owners. Dumaine's heir, Frederic C. Dumaine, Jr., set a stiff condition for his approval—and he still had a controlling block of the preferred. His condition: No common stock dividend could be paid during the life of the loan.

That put the railroad in a squeeze. If it agreed to the condition, the common stockholders wouldn't approve the loan. If it didn't agree, Dumaine would block the loan. Yet the loan was essential to keep the trains running.

So the New Haven took the only way out. It arranged a deal with a syndicate of investors—substantially the same ones that are now pressing the road's management—to buy the Dumaine group's 131,385 preferreds at \$60 a share. The road also agreed to buy back the shares at \$70 apiece before December, 1957. (Last year it was plain the road could not afford to do this, and the agreement was extended to December, 1959.)

Thus, after the Act of God, a new group of investors had entered the picture. A new president entered, too: Alpert took over from McGinnis early in 1956.

• **Preferreds Win**—Since then, says Alpert, he has met almost every month with those investors, and kept them in-

The honest error that led to a \$40,000 crime!

To err is human and it also can be expensive, as one manufacturer recently found out.

The manufacturer dealt with two suppliers of identical name, at different street addresses in the same city. A secretary misaddressed and sent to one supplier several checks that should have gone to the other. The supplier not entitled to the money fraudulently endorsed the checks and spent the funds. So when the error was discovered, the manufacturer couldn't get his money back. But he didn't lose a dime because he was insured against such crime loss with Mr. Friendly's Company—American Mutual.

While this was an unusual case, it is the unexpected that costs American business \$500,000,000 yearly—according to the American Institute of Accountants. So it's wise to play it safe. Let an American Mutual Representative give you complete facts and figures on the new low-cost Manufacturer's Blanket Crime Policy. Written with a large, single amount of insurance across the board, the policy covers all employees, all locations. Or for a free booklet that gives all the facts about this new crime coverage, write today to: American Mutual Liability Insurance Company, Dept. BW-2, 142 Berkeley St., Boston 16, Mass.



American Mutual

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Mr. Friendly in American Mutual's trademark symbolizes the spirit of cooperation and service typical of all American Mutual Representatives.

formed of the railroad's condition. But they are not represented on the New Haven's board, which is still made up largely of common stockholders. (Alpert himself has 11,210 common shares and no preferreds.) In the meantime, the New Haven has paid no dividends to its preferred stockholders since 1955. So the right of control has again reverted to the owners of the preferred.

The spark that set off the fight that's now brewing was the sale of 43,884 of those preferred shares that are covered by the "put" agreement. Tri-Continental Financial Corp. owned them and, seeking a tax loss, it decided to sell them last December. It offered them to the New Haven at \$24 dollars a share, but A. C. Allyn told the New Haven that it would like to add the shares to the 16,000 preferred it already held.

Says the New Haven's Alpert: "The New Haven offered to comply, provided the Allyn group would cancel its 'put' on these shares. This would have saved the New Haven from a \$3-million contingent liability. A. C. Allyn, however, refused to do so."

• **Tie-Up**—The New Haven's board collected money to make a downpayment on the shares, accepted \$30,000 of this from its real estate consultant, Louis Glickman, and appointed Glickman the road's assignee. But Tri-Continental refused to recognize Glickman. It sold the stock, instead, to A. C. Allyn at \$24 a share.

Now the New Haven board and Glickman are fighting this deal and the 43,884 shares are presently tied up in the New York Supreme Court.

• **Wobbly Target**—Railroad analysts agree that the target of Casey and his group is in poor condition. The New Haven's probable loss of at least \$1-million last year follows a 1956 profit of \$261,704 on total operating revenues of \$162.5-million. And since the end of 1957, the New Haven's situation has apparently been getting worse. After substantial layoffs last December, the road cut its work force—by 6%—again this week.

It seems unlikely a new management could ease the greatest pressures on the New Haven: Its short-haul freight operations, its heavy and costly commuter traffic, its reliance on passengers for 40% of its operating revenue, its location in an area where high-cost low-weight goods—just the kind for which truckers compete successfully—are manufactured.

For this reason, many rail analysts believe that the Casey group will be able to make only limited promises of a brighter future for stockholders, but that if the group does gain control it will at least be able to protect the \$70 a share that it hopes eventually to claim for its more than 131,000 shares.

How Steelmakers Line Up Now

Company	Rank	Share of Industry Total	Capacity 1958 (thousands of ingot tons)	Five-Year Growth in Capacity
U. S. Steel	1	28.5%	40,212	10.4%
Bethlehem Steel	2	16.3	23,000	30.6
Republic Steel	3	8.6	12,242	11.6
Jones & Laughlin Steel	4	5.3	7,500	17.0
National Steel	5	4.8	6,800	20.3
Youngstown Sheet & Tube ...	6	4.6	6,500	31.3
Armco Steel	7	4.5	6,344	34.4
Inland Steel	8	4.1	5,800	28.8
Colorado Fuel & Iron	9	2.0	2,836	14.2
Wheeling Steel	10	1.7	2,400	29.0

Bethlehem Closes In

The nation's No. 2 steel producer narrowed U. S. Steel's lead again last year—but the smaller companies grew relatively faster.

The nation's 10 biggest steel producers (table, above) were responsible for almost all the steelmaking capacity added last year—6.98-million out of 7.28-million annual ingot tons. The total was the second highest ever scored in one year.

Bethlehem Steel Corp. and Republic Steel Corp., respectively No. 2 and No. 3 on the list, contributed well more than half of the Big Ten's share of new capacity. Each completed a major program. Relatively, though, the smaller companies on the lower half of the roster grew faster than the top five.

Perhaps most striking of all was the way Bethlehem continued to close in on U. S. Steel—as it has been doing steadily in recent years. The trend may be reversed in 1958, but last year Bethlehem added 2.5-million tons—almost four times more than U. S. Steel did. Most of it went into Bethlehem's Sparrows Point installation, near Baltimore, now the world's largest steel plant, with 8.2-million annual ingot tons of capacity. That's 1-million tons bigger than U. S. Steel's Gary works, which topped Sparrows Point by the same amount a year ago. During 1958, Gary will at least come close to catching up.

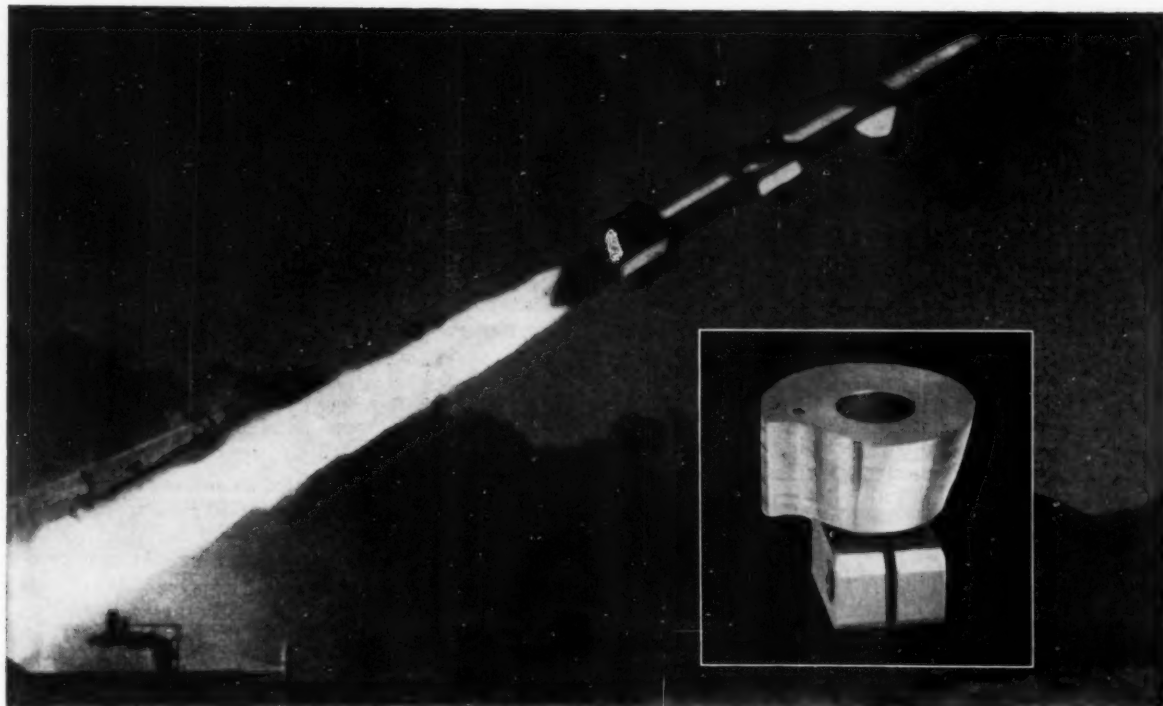
• **Sprightliest**—In percentage of growth over the last five years, seventh-place Armco Steel Corp. leads the pack. Since Jan. 1, 1953, it has enlarged capacity by 34.4%, at an average rate of 6.85% per year. It looks as if Armco

will grow dramatically in the next five years, too. It has acquired National Supply Co., a leading pipemaker, and NSCO presumably will switch its 800,000 annual product tons of demand to Armco as its long-term contracts with other producers expire.

National Steel Corp. easily recovered fifth place last year. It had lost out a year ago to Youngstown Sheet & Tube Co. by a thin 40,000 tons. But Youngstown continued to show vigor: It placed second in five-year growth, one step ahead of Bethlehem. That news will be regarded with irony in Washington, where Bethlehem and Youngstown have been arguing for permission to merge. In part, their contention has been that Youngstown can't afford the expansion dictated logically for its Youngstown and East Chicago properties. That may be—but for the past five years, it has more than kept pace with its rivals.

• **Acquisition Helps**—The fastest rate of growth in a single year was racked up by Jones & Laughlin Steel Corp., on the strength of J&L's acquisition of Rotary Electric Steel and its 300,000 annual ingot tons. Bethlehem, with 2.5-million new tons, and Republic, with 1.195-million, tallied the biggest actual increases. At yearend, the Big Five controlled 63.7% of the nation's ingot capacity—0.8% more than a year ago.

Meanwhile, after its tremendous surge in 1957, the steel industry will relax a little in 1958. Its capital spending will be down by \$750-million to a total of \$1-billion, the American Iron & Steel Institute announced this week. Informed guessing is that the industry will add about 5-million annual ingot tons.



Actual photo of a Bendix-built Talos missile being fired from the launcher. Inset, a vital jet engine part on which production time was slashed by Bendix Tape Control System.

FROM BLUEPRINT TO FINISHED PART IN 2 DAYS INSTEAD OF 10 WEEKS

How key missile and aircraft companies are slashing production time with amazing Bendix tape control

Here's a new American weapon in the world battle for technical superiority. Pictured at lower right is the revolutionary Bendix* Tape Control System for machine tools.

Fifteen of these Bendix time-slashing systems, installed on Kearney & Trecker milling machines, are now being used by key missile and aircraft firms, including Martin, Boeing, Lockheed, Northrup, Republic, Bell, Avco-Lycoming, Wyman-Gordon, and Harvey. Many more are on order. They are saving thousands of vital

man hours of tool setup and tool change time by eliminating the need for hand-shaping tools, templates, patterns, models, and other prototype parts.

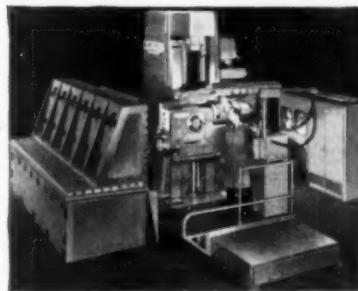
Working almost directly from a blueprint, these machines can turn out parts, often in a matter of hours. For example one aircraft company reported a reduction in production time from 500 hours to nine hours for a tooling fixture.

In the inset photo above is a key part for a jet engine, so intricate that it once required a skilled man to toil for ten weeks turning out a master part for production to copy. The Bendix Tape Control System now does this in two days.

Tape-controlled milling was devel-

oped and first used in mass production by Bendix. It has broad application in both large and small industries. For specific information about Bendix Tape Control Systems for machine tools, contact the Controls Section, Bendix Aviation Corporation, 21820 Wyoming, Detroit 37, Michigan.

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In Business

• • •

United Fruit to Escape Monopoly Suit If It Creates Rival From Own Assets

Under the terms of a consent decree with the Justice Dept., United Fruit Co. will have to divide itself like an amoeba, creating out of its own assets a competitor in the business of growing and importing bananas.

Under the unusual terms—which would end a monopoly suit brought by the government in 1954—United Fruit must provide enough “assets, producing banana lands, ships . . . and other accessory assets” to create a company that will be able to take over about 35% of United’s import business, or about 9-million stems of bananas per year.

The settlement is subject to approval of United Fruit’s stockholders. But if they don’t approve within three months, the Justice Dept. threatens to reinstate the monopoly suit, and press for a trial.

• • •

Canada to Sell More Uranium in Britain, Pushes Plans for Nuclear Power

Canada was active on two sectors of the nuclear front this week.

The Ottawa government this week signed its second contract within a year to sell uranium to Britain. The new contract calls for \$105-million worth of uranium to be delivered in the 12 months starting Apr. 1, 1962. This supplements last summer’s \$115-million, five-year contract.

In the nuclear power field, the government has announced plans for a new agency to direct a \$140-million, four-year program. The agency will handle the 20,000-kw. demonstrator reactor, now being built on the Ottawa River, and a projected 200,000-kw. plant.

• • •

Huge, 35-Knot Submarine Tanker With Atomic Power Eyed by U. S.

The Maritime Administration is interested in giant, high-speed, nuclear-powered submarine tankers; this week it hired General Dynamics to do a \$25,000 feasibility study. If this pans out, Maritime would ask Congress for the estimated \$30-million to build such a vessel.

What Maritime has in mind is a 60,000-100,000-ton submarine that would run at a shallow 100 ft. below the surface at 35 knots. Presumably, the Navy would supply the designs of its super-fast and maneuverable sub, the Albacore. A surface tanker of comparable capacity would do only about 18 knots, and would cost between \$20-million and \$25-million. The sub offers three big potential savings:

- The smaller crew needed would much more than balance any premium pay for individuals.
- Underwater travel would eliminate heavy losses of time suffered by surface ships in bad weather.
- Hull costs of the sub would be much lower than for a surface ship that takes a beating from the waves.

• • •

Cincinnati Leashes “Fair Trade,” So Cincinnati Launches Price War in Small Appliances

Cincinnati bargain hunters were out in droves this week grabbing up small electrical appliances marked down in a savage price war that followed the latest blow to “fair trade.”

Typical price cuts included an automatic coffee maker, listed at \$39.95 and going for \$29.97, and an electric frying pan, listed at \$19.95, selling for \$13.87.

It all started when the Ohio Supreme Court held unconstitutional the non-signer clause in price maintenance agreements by which a manufacturer could hold all retailers to his list price just by signing up one store in the state.

Last week, a Cincinnati unit of Mercantile Stores Co., Inc., announced price cuts. By Sunday, others such as Shillito’s—a Federated unit—and Allied’s Rollman department store took ads saying “we will not be undersold.”

On Monday came a shopping rush that Shillito management called the heaviest since the early postwar days. Said a retailer: “It takes a big jolt to shake loose consumer dollars today, but a real bargain will do the trick.”

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Memphis Balks at Census Queries When It Has to Write the Answers

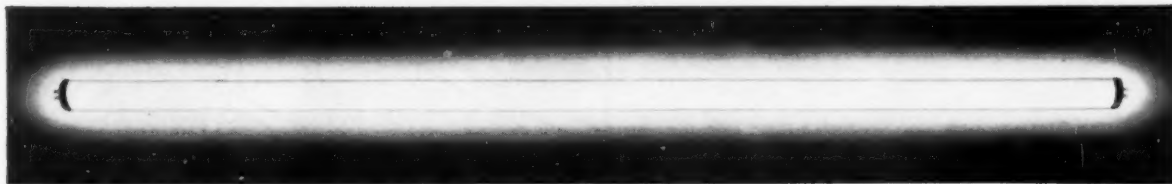
The pen is not only mightier than the sword, it also outmuscles the spoken word. At least, that’s the opinion of Census Bureau officials in Memphis, as they huddle from the blasts of the latest storm to rage about their ears.

It happened like this. The Census Bureau has just started a special nose-count in Memphis, partly to pretest the questionnaire form for 1960 and partly to please the Tennessee city, which is footing half the bill.

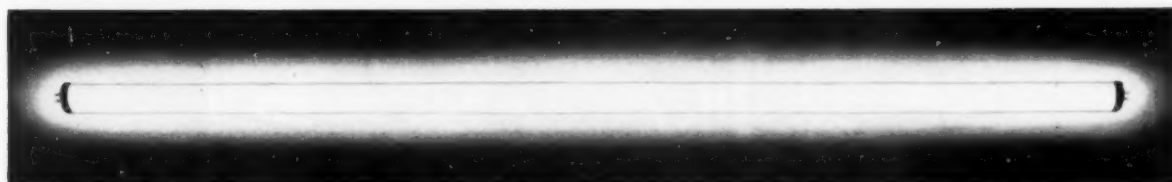
The forms were mailed to citizens with instructions to fill them out; previously, the questions were asked by census takers in personal calls. To the written form, the reaction was swift and noisy. Two of the five city commissioners refused to answer some of the questions as “too personal.” They claimed most Memphians were equally irate, especially over questions about income and hours worked.

In Memphis, the census people sadly commented that nobody got mad in 1950 when virtually the same questions were asked—but not in writing. In Washington, officials doubted they would have serious trouble with the written form.

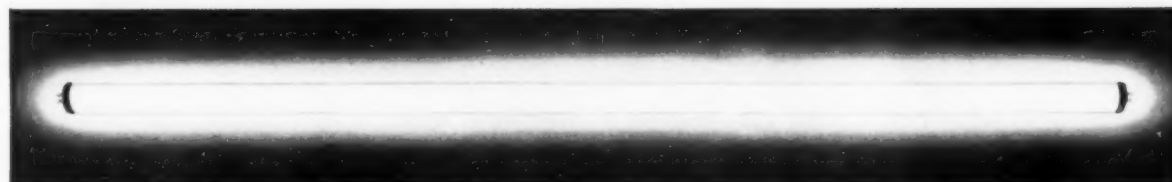
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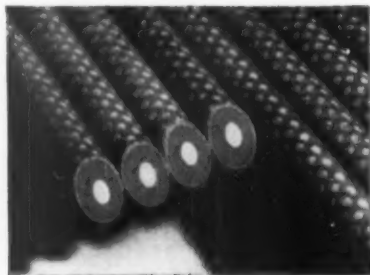
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
FEB. 8, 1958



Pres. Eisenhower will second-guess himself on the business outlook.

Here's why: The Big Three January messages, State of the Union, Budget, and Economic Report, were written in December. At that time, the advisers to the President were optimistic. Their feeling was that the business turndown would be both shallow and short-lived. This impression now is being reexamined. And major policy changes may be ahead.

Russia had the lead in space in December. She had launched Sputniks I and II. The U.S. trailed in the space race.

Defense appeared to be a major political issue in this Congressional election year. Democrats whooped it up. Republicans sort of ducked.

But our satellite launching has changed things. When the Army delivered on its missile program, reactions came quickly. The stock market rose. So did the spirits of GOP politicians.

Other missile firings will be coming up. The real race now is for the moon. Russia might win it. But it's now called a race.

Note the political implications growing out of what is happening.

Home, not space, issues will dominate when the two parties fight out the matter of House and Senate control in November.

So, Washington's big worry now is business. With the space issue blunted a bit, attention now will focus on how to turn business up.

You will see many ideas advanced.

Credit will be relaxed even more. The Reserve System discount rate will be shaved again. But more important will be the coming cut in required reserves that banks must maintain against their deposits. When these are cut, banks will have extra money to lend. And the theory is that if the customers don't come in to borrow, then the banks will go out and "sell them."

Public works spending will be pushed up. In January, the Eisenhower policy was to slow projects now in the works and delay starts on new projects. This may well change—amount to a reversal, backed with eagerness to spend.

Vice-Pres. Nixon will take an active hand. Nixon, looking ahead to 1960, is becoming more independent of the White House "team"—doing more thinking of his own. It's reported that he told some of the GOP brass who came here for the recent party powwow that he would favor a spending rise of as much as \$5-billion, if that becomes necessary to turn business up.

Then, there's the question of a tax cut.

Democrats will talk this up more and more. As of now, they have nothing that can be called a program. But House and Senate leaders are in very close contact on what the Democratic stand should be. And every time they talk, they get closer to the idea that tax relief might be the best key to reversal of the business trend.

Eisenhower advisers are wavering. Though insisting that everything needed to halt and reverse the business decline already is in the President's recommendations to Congress, they will take a second look. In late March

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
FEB. 8, 1958

or early April, they will reconsider the idea of a tax cut (page 25). Eisenhower, himself, acknowledges a tax cut as a "reserve weapon," to be used if his earlier business estimates prove to be wrong. But he cautions that a premature cut might be inflationary.

Who will benefit from a tax cut, if one is voted?

Personal income taxes will be cut first. Purpose of this cut is to stimulate consumer buying.

Excise rates that add to prices will be cut next. Most tax experts agree on this. But some of them have reservations. Example: They worry that if taxes on consumer products are cut, the manufacturers and dealers will merely add the reduction onto prices. This happened a few years ago when Congress cut the theater admissions tax. Movie houses merely upped rates.

The corporate rate will be considered last. Both parties play up the idea of relief for so-called small business but there's no agreement on where this relief should start and end.

Defense spending estimates will rise. Congress will vote more than the \$1.1-billion asked by Eisenhower. Of course, it will be up to the President to say when and how fast the extra money is spent, if it is to be spent at all. Advance figuring already is under way on the budget for fiscal 1960, the year starting July 1, 1959. It's revealing, in that it shows how the military would like to project the current uptrend in spending for weapons. The proposed rate of increase is sharp.

Here's how the Pentagon thinks about fiscal 1960:

A rise of \$10.7-billion above this year in appropriation requests is talked. This doesn't mean a rise of the same size in spending. This is in the requests to make commitments. Spending runs behind contracts. But it could well mean a defense spending of nearly \$50-billion a few years hence, compared to the proposal for nearly \$40-billion in the next fiscal year. And a big part of the rise contemplated would be for conventional weapons.

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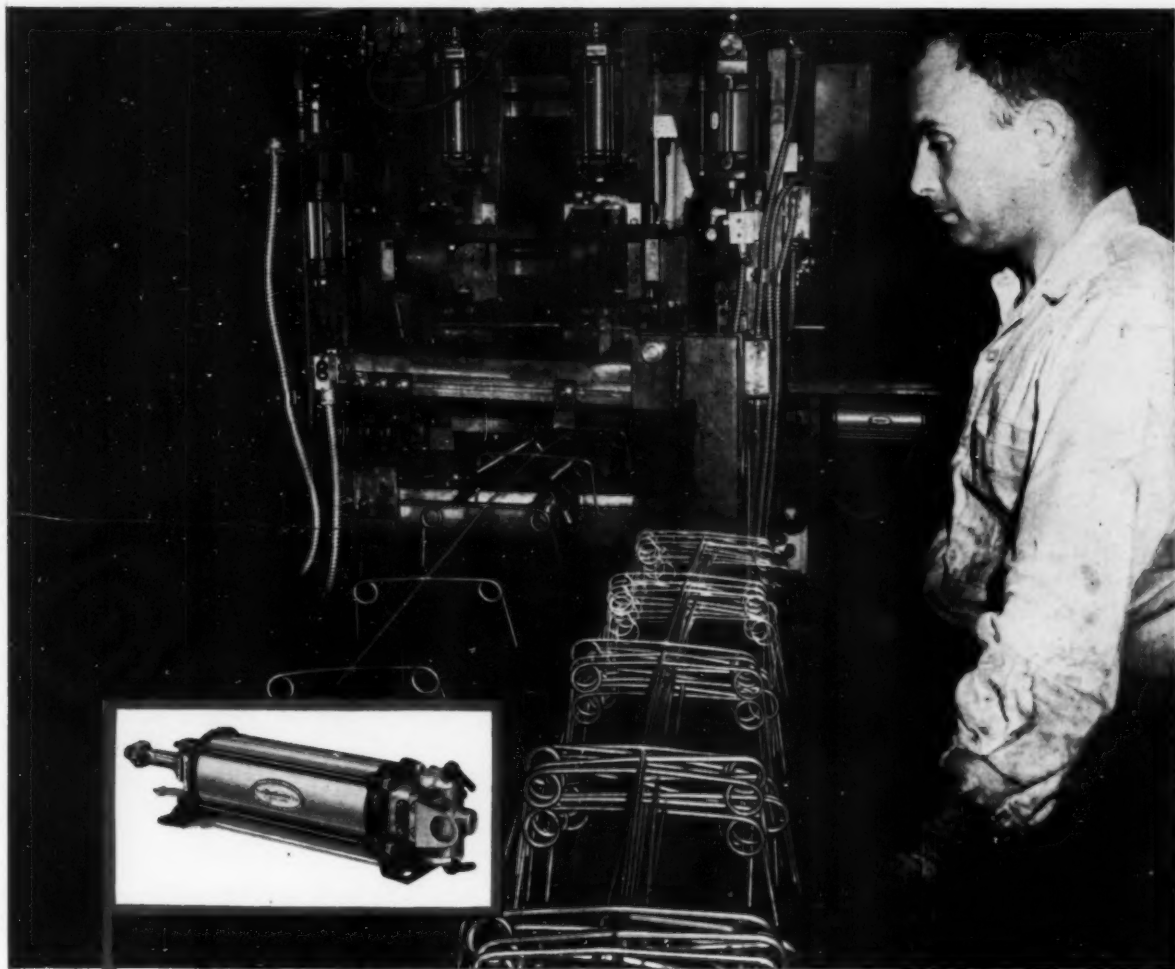
Party splits will continue to plague the Democrats. Only part of them can be blamed on the North-South integration issue.

New Jersey Gov. Meyner's visit to Washington didn't achieve very much. Meyner made it clear that he was available for the 1960 Presidential race. But he didn't set the town on fire. Fact is he didn't even warm it up.

Michigan Gov. Williams got a big plug from the Miami meeting of the AFL-CIO. The unions' bosses made no bones about the fact that "Soapy" is their boy in the 1960 winter book.

The old faces get cheer out of the situation. Kefauver still figures he's in the picture. Lyndon Johnson, the Senate leader, is willing. Sen. Gore of Tennessee has his hopes. But they all have problems.

Odds still are on the Democrats to win this fall in the Congressional elections. The current Senate split of 49 Democrats to 47 Republicans is a bit misleading. Only one-third of the Senate comes up. The Republicans have more unsure states at stake. It's much the same in the House. Democrats will go after GOP farm-state men hard.



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1031-B

MERCHANTS GREEN STAMP
GIFT CENTER

MARKETING



Redemption Centers Pitch Their

Trading stamps, the bane of conventional retailers, are in solid with the customer.

The shoppers in the pictures differ from the usual consumers on a buying spree. They aren't spending money; they're spending stamps. The pleasant gift shop in Fresh Meadows, N. Y., is in reality a redemption center for Merchants Green Trading Stamp Co.

At least half the families in the U. S. are reckoned to be pasting trading stamps into one kind of stamp book or another. A study by Albert Haring and Wallace O. Yoder for Indiana University's School of Business estimated last spring that in 1956 goods worth from \$475-million to \$480-million at retail list price took this offbeat distribution route. And redemptions are still rising. Sperry & Hutchinson Co. alone opened around 50 centers last year. The growth of trading stamps has roused one of the hottest

merchandising battles of the century (BW—May 19 '56, p43).

Merchants Green differs from many stamp companies in that it is a wholly owned subsidiary of Food Fair Stores, Inc. The Philadelphia food chain bought the Pennsylvania subsidiary of a Detroit stamp company two years ago, on the theory that, if stamps are unavoidable, the retailer himself might as well enjoy any profits available. (In its home city, Food Fair uses Gold Square stamps, a plan operated by a subsidiary of Lit Bros. department store; elsewhere it uses Merchants Green.) But its stamp company operates much like any other.

I. How Centers Run

The redemption process starts when a store buys the stamps from the stamp company. The store hands out to its customers one stamp for every 10¢ worth of its merchandise they buy. It also gives out the stamp company's

catalog of premiums. When a housewife has filled a book, or books, she hies to the nearest redemption center for her reward.

• **New Twist**—In many ways, redemption centers work like other retail chains. Head of Merchants Green is Arthur S. Rosenberg, vice-president of Food Fair. His staff buys direct from manufacturers for the 28 Merchants Green redemption centers, distributes from its Linden, N. J., warehouse each week. The stamp company decides how many stamps to charge for each premium, on the basis of nationally advertised or "fair trade" prices.

Running a center is not quite like running a conventional shop, says Mrs. Delia Toomey, manager of the Fresh Meadows center. For one thing, no sales girl puts pressure on a customer to buy. She doesn't need to. Anyone who has Merchants Green stamps to spend can spend them only at a Merchants Green redemption (or, as they prefer to call it, a gift) center.



BIG SELLER: Housewares are prime favorites of stamp collectors—Revere Ware, Bates spreads, Cannon sheets, small appliances, and the like. Here Merchants Green stamp addict weighs what she shall “buy.”

BIG BUSINESS: Redemption centers of trading stamp companies move almost a half-billion dollars worth of goods a year. Merchants Green offers over 1,000 different premiums—and most of them are brand name merchandise.



BIG BUY: This customer piled up about nine books of stamps before she cashed in. More usual is the customer with two to four books. Expensive items may take 30 or so.

Tents for a Long Stay

But one stamp plan competes with another for consumer favor, so, “we lean over backward to please customers,” Mrs. Toomey adds. “We try to create the atmosphere of a very nice gift shop.”

That’s one reason Merchants Green frowns on mail orders. It likes consumers to come to the centers. That way they get ideas about other merchandise to collect stamps for. The company usually accepts only stamps; some stamp plans allow cash payments. But at Christmas, Merchants Green let down the bars. If a consumer hadn’t quite enough stamps to get the premium she had set her heart on, she could buy a special gift stamp book at a Food Fair store, for \$3.

• **Key to Profits**—A redemption center has another difference. Since stamps—not cash—are its receipts, it really has no clear idea what margin of profit it operates on. Its big job is to make sure the right number of stamps are turned in for the goods that move out, and

that it has the merchandise in stock.

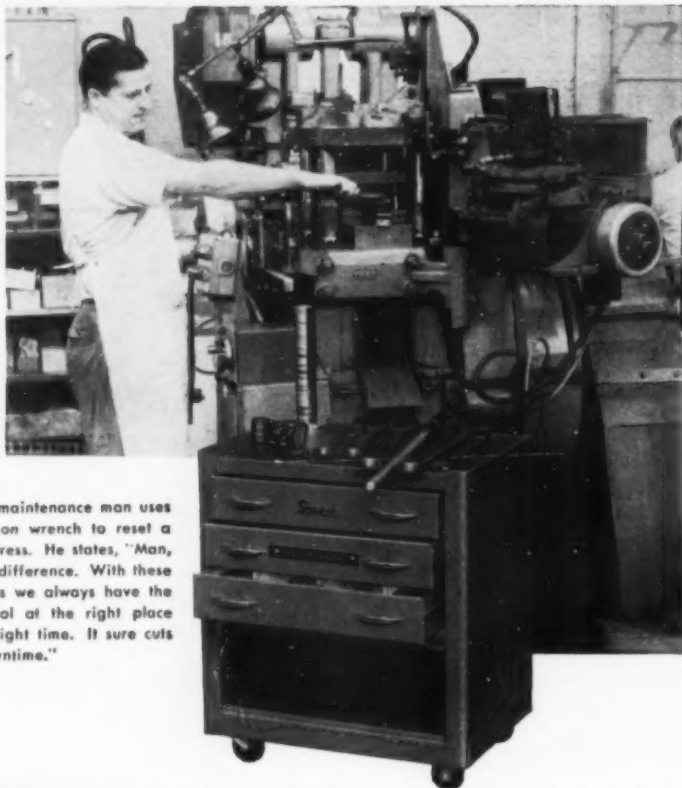
For the stamp company, the key to profits is the price it gets for the stamps it sells retailers. Out of this price the company must get enough to buy the merchandise, operate the centers, and have something left for its own till. Like all stamp companies, Merchants Green is close-mouthed about the money it makes. All it will say is that it does operate at a profit. Sperry & Hutchinson, whose 500-plus centers and 60,000-plus retail accounts make it the No. 1 in the field, says it usually averages better on profits than a department store does.

The base price a retailer pays for a pad of 5,000 Merchants Green stamps is \$13.50. At that rate, one stamp is worth 0.27¢, and a consumer book containing 1,500 stamps represents revenue of \$4.05. For one book, the center gives a premium worth between \$3 and \$4 at retail list. Actually, the stamp company gets less than appears on this transaction because most retailers pay less



NO CASH: Stamps are coin of the realm here. Clerks count them, machines cancel them. Big job is to be sure right number of stamps are turned in for the goods that consumers buy with stamps.

Weston slices downtime with *Snap-on* mobile tool sets



Here a maintenance man uses a Snap-on wrench to reset a punch press. He states, "Man, what a difference. With these roll cabs we always have the right tool at the right place at the right time. It sure cuts the downtime."



"You can cut waste time way down with these tool sets and roll cabs," *Snap-on* Tools sales engineer, Perry Rose, told plant officials at Weston Electrical Instrument Corporation, a subsidiary of Daystrom, Inc., Newark, N.J.

Previously, the company's maintenance men reset and maintained punch presses with a limited number of tools located at a fixed spot in the plant. Today six custom *Snap-on* tool sets on wheels, one for each maintenance team, are conveniently located around the department.

Rose worked closely with Weston maintenance people to provide exactly the right tools for the work. The result: a big reduction in downtime — big increase in profitable production time.

Here is another typical case where a trained *Snap-on* sales engineer spotted a situation and recommended a time- and money-saving idea. The *Snap-on* man makes it a regular part of his job to analyze production or maintenance problems — then recommend the proper hand tools. He also develops original equipment tool kits, as well as sets for field service work. *Snap-on* branch offices are located in over 54 key industrial centers throughout the U.S. and Canada.

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than the base price since they buy the stamps in bulk.

The stamp company's main profit comes—as with any retailer—from the difference between what it pays for the premiums and the money it collects in return. It gets the full profit because, despite the discount house, it bases its "price" on full list. And the big ones pay a less than average price because they buy in volume. S&H estimates suppliers send it the equivalent of 2,300 freight cars of goods a year.

As for the consumer, she spends \$150 to get a book of stamps and gets, say, an average \$3.50 worth back—about a 24% rebate. How good a bargain this is depends on whether the store ups prices to pay for stamps.

II. Where Stamps Stand

Conventional retailers have eyed the flood of goods that moves through redemption centers with growing alarm. Stamp-giving merchants wail loudly over the cost of this "parasitical" distribution. Since the big food chains took to stamps about two years ago, clamor for legislation, investigations by the government, studies by researchers, and barrels of propaganda have kept the battle warm. *BUSINESS WEEK*'S own reporting on where stamps stand now brings out two main points:

- Stamps are here to stay.
- The days of the great hysteria—and the rocketing growth—have passed.
- Two Schools—Retailers still disagree over the value of stamps as sales or profit builders. Many still hope they will die. But most agree with the Houston man who says that stamps are like in-laws; you have to learn to live with them.

Today this means adjusting to the fact that some of the mystic spell has gone. "Stamps are an important tool," says Thorofare Markets in Pittsburgh, "but not the bit of magic they once were."

Some cities feel the consumer's enthusiasm is waning; others find the stamp-collecting zeal as fervent as ever. In Denver, once the hottest battle ground, stamps are holding their own.

The big stamp companies report no falling off. Sperry & Hutchinson says 1957 was its peak year, and—barring a depression—expects the same growth this year. But that would mean a smaller rise than the jump between 1956 and 1957. Top Value Enterprises, retailer-owned company started by Kroger, and generally rated No. 2, has signed up 14,000 accounts in its short life. Eagle Stamp Co. in St. Louis says sales are climbing. Chicago—where stamps just took hold last November—is chalking up big gains for King Korn Stamp Co., S&H, and others.

If the magic has faded, it is mainly

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The Christian Science Monitor: "Mr. Ackerman brings to Indian Lake Estates the vision of an idealist combined with the get-up-and-go of a practical builder. He is everywhere, directing the crews that are building the community into a pattern that the eye can follow. It's fabulous even for Florida."

The Financial Post of Canada: "Indian Lake Estates, the multi-million dollar luxury residential development, is well underway. Close to famous beauty spots as Lake Wales and Cypress Gardens, it is in one of the most scenic areas on the continent."



Actual Photograph: Indian Lake Estates' wide, white sand beach sloping gently into 15-square mile Lake We-oh-ya-Kapha.



Club House for Indian Lake Estates—planned for completion this Spring. This spacious club house is adjacent to the 18-hole golf course (under construction).

As summarized by a Washington, D. C., newspaper: "A new concept of American community life is rapidly taking shape at Indian Lake Estates." High above sea level (a gradually rising elevation from 64 to 115 feet) and away from enervating humidity, this beautiful lake property is close to both the Atlantic Ocean and the Gulf of Mexico. The delightful, dry climate; the magnificent 15-square mile lake; the wide, white sand beach fringed with exotic palms; and the expert plans being carried out ahead of schedule make Indian Lake Estates the place you will want to see—and live—in Florida.

Miles of dual lane avenues have been paved and planted with majestic palm trees; the development is being extensively landscaped; the magnificent club house will be completed this Spring; and the 18-hole golf course is now under construction. The 1,100-foot private pier, the longest fresh water pier in Florida, is completed; and the marina to accommodate 2,000 boats is almost completed. All recreational facilities are being provided for the exclusive use of Indian Lake Club members.

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BW-2-B-58

thanks to the stamps' growth. One retailer said his sales jumped 24% when he first took on tapes—a stamp plan variant. When his competitors followed, his gain dropped to 12%. That didn't offset their costs, so he dropped them. This lost him the new customers the plan had brought in, but his old ones stuck, so he is back where he was before he started. But the bogey that you can never drop stamps once you start them is waning.

• **Helpful, If**—Some stores say if you get there first with a good plan, or even second or possibly third, it pays off fine in increased sales and profits. After that, you may have to give stamps, but they won't help you much.

Plenty of stores stoutly live with stamps and like them, as a Washington, D. C., food chain puts it. Kroger credits some of its "whopping" sales growth to its stamps. A New England chain is "delighted" with them. Thoro-fare "wouldn't think of dropping them." Colonial Stores considers them "an integral part of our operation, and still profitable."

• **Price Front**—Retailers still argue over whether stamps pay their own way. But most say they haven't raised prices.

Various studies seem to confirm this. The Indiana University study found little or no evidence of food price rises when stamps come to a city. In a recent Harvard Business Review, Eugene R. Becm agreed. In fact, prices may drop.

Stiff competition is the big reason. A&P is still waging a mighty battle against stamps, on the price front. Competing stores don't dare price too far above stores that don't give stamps.

Stamp companies reflect some competitive wear and tear, too. Fancier premiums are appearing. Grand Union's Triple-S Blue Stamps offers imported premiums; King Korn offers Cadillacs, mink, and power cruisers for groups, such as churches, which might pool their stamps to give their ministers a gift. P.I.P. Stamps of St. Louis offers life insurance as premiums.

• **Survival**—While anti-stamp bills have cropped up in about 36 state legislatures in the past year or so, only Kansas has banned stamps. The battle to make stamp companies pay taxes on unredeemed stamps under the escheat laws is still running. But the investigation by the Federal Trade Commission (BW—Oct. 12 '56, p 31) has brought no anti-stamp action so far. The Securities & Exchange Commission solemnly ruled a couple of weeks ago that trading stamps were not securities within the meaning of the law.

S&H, which has survived many ups and downs, believes that 1958 may be the year that will separate the men from the boys. Some of the newer companies have folded. In this field, too, the battle will go to the strong.

In Marketing

• • •

Spending on Advertising Rose Again In 1957, But Rate of Climb Sagged

The nation's advertisers invested a total of \$10.4-billion in all media last year, 5.3% more than in 1956. This is the salient point from the annual McCann-Erickson estimates prepared for Printers' Ink magazine.

The gain last year was about \$530-million, as the rate of increase continued the slippage that followed the 1955 boom when companies put a huge \$865-million in new money into advertising. In 1956 gain was down to \$787-million.

Last year, both national and local advertising took a share of the increase, with national spending hitting \$6.3-billion, up 6.4%, and local \$4.1-billion, up 3.7%.

The broadcasting media registered the biggest gains. TV was up 8.7%, with \$1.3-billion going into the medium. The dollar gain amounted to \$106-million, substantially below TV's 1955-56 record when \$230-million more dollars were spent for a 22.4% gain.

Radio staged a big comeback during the year, and showed the biggest percentage gains. It jumped 14.3% over 1956, with \$648-million. Network radio, which hadn't gained since 1948, was up 5.9%.

Magazines rose to \$830-million, for a 4.4% gain, and newspapers continued to take the largest single advertising bite, with \$3.3-billion, a 2.8% gain.

• • •

It's Official: Beer Industry's Yearend Figures Confirm Anheuser-Busch's Claim to 1957 Crown

Anheuser-Busch's claim that it regained its title in 1957 as the nation's top-selling beer (BW—Jan. 4 '58, p 83), which it lost in 1955 to Jos. Schlitz Brewing Co., Milwaukee, was confirmed this week by the National Beer Wholesalers' Assn. and the Brewers' Journal.

A survey published by the industry magazine had the big St. Louis brewery selling 6,115,762 bbl. last year against 5,865,583 bbl. in 1956, a 4.3% gain. Schlitz sales were reported to be 6,023,608 bbl. in 1957 vs. 5,940,835 bbl. the year before for an increase of 1.4%.

The biggest gainer, though, among the top 15 brands was Falstaff Brewing Corp., another St. Louis firm. It jumped ahead of P. Ballantine & Sons to gain third place on the strength of an 11% increase in sales—from 3,870,000 bbl. in 1956 to 4,300,000 bbl. in 1957.

Other big gainers were Carling Brewing Co., now ranked sixth ahead of Liebmann Breweries (Rheingold) and Pabst Brewing Co.; F. & M. Schaefer, ninth top seller; C. Schmidt & Co., Philadelphia, No. 13; and Piel Bros., Brooklyn, No. 15.

Pabst was by far the biggest loser, with sales dropping 14.7% from 3,400,000 bbl. to 2,900,000 bbl. Liebmann and Stroh Brewery Co., Detroit, also turned up with sales declines.

The leading brands also included Hamm, in fifth place; Miller, eleventh; Lucky Lager, twelfth, and Ruppert, fourteenth.

Total sales of the leading 15 brands climbed about 2% during the year—from 46.7-million bbl. to 47.5-million bbl.

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RESEARCH

How to "Fall" Into Space

- The idea of trying to offset gravity to aid space travel—and flight—has suddenly got past the dream stage.
- It's packing them in at scientific meetings, drawing aircraft companies' money, stirring Russian boasts.
- Though there's no evidence yet "anti-gravity" is possible, scientists are hunting hard for promising clues.

If anyone had predicted 10 years ago that a cross-section of the nation's top physicists, aeronautical engineers, and mathematicians would be fighting for standing room to hear the chaste theory of gravity seriously challenged, he would have been labeled sun-stroked, senile, or worse.

Gravity, like motion, has long been regarded as one of the fundamental facts of nature that you can't do anything about. Regardless of how any man has chosen to define it, he has never really questioned the inherent attraction between any two masses. Like the apple that according to legend fell on Newton's head, it was always—and unquestionably—there.

At an opening day meeting of the Institute of Aeronautical Sciences in New York last week, however, the impossible became the possible. In record numbers—in a rush that stacked up scientists 20 deep at every entrance to the Sheraton-Astor's North Ballroom—the elite of research came to hear what it is that has reawakened scientific interest in the possibility of doing something about gravitation.

What has happened, they wanted to know, that has caused major aircraft companies, as well as the government and various universities, to start serious inquiries into the possibility of controlling gravity? How do the recent discoveries in antiproton research fit into the picture? And even more importantly, how accurate are the reports (circulated by Tass) that Russian scientists hope to turn up some sort of machinery to cancel or modify the force of gravity sometime during 1958?

● **Exciting Possibilities**—For the most part the answers to these questions are still fragmentary and tentative. There's no doubt that a growing number of reputable scientists have now come around to the point of view that there is decided merit in probing further into the mysteries of gravity. The potential rewards—of somehow offsetting or insulating against its effect—are tempting lures to further research, even though no one has yet turned up solid evi-

dence that such a thing is possible.

If you had an apparatus to make objects fall away from the earth instead of toward it—the way a coil of wire and an electric current can make pieces of iron repel as well as attract each other—the effects on aviation and space travel are obvious. The spreading effects beyond that are past imagining.

● **Solid Support**—Backing gravity research are such companies as the Martin Co. (at the Research Institute for Advanced Study in Baltimore), Grumman Aircraft Engineering Corp., Lockheed Aircraft Corp., and Sperry Rand Corp. The U.S. government through the Army Transportation Research and Development Command has a team of scientists probing into the field. And universities—among them Princeton, the University of North Carolina, and the University of California—are all angling in on the problem.

● **Elusive**—The basic problem all researchers face is a staggering one: Where do you start looking? The hard fact of life—as scientists in the U.S. see it—is that there's no real indication whatsoever that anything can be done to control the force of gravity.

Nothing in our present understanding of the laws of gravitation suggests even the possibility of creating a force to counteract gravitation—what is being called by the catchphrase "anti-gravity." This makes research—or deciding where to start research—a bit difficult.

● **Relationships**—Most research, to date, is trying to find some relationship between gravity and other forces of nature. Electricity became useful when experimenters were able to relate it to magnetism, which had seemed until then like an unrelated force. The discovery that a changing magnetic field creates an electric field, and vice versa, opened the way to the electric motor, the electric generator, and all the rest.

The "anti-gravity" problem begins with the effort to find something that can affect a gravitational field.

Such an effort to find relationships is the basis of the anti-gravity research at

Radio transmitting tubes
tube checker
logographic X-ray
tubes, for medical
research, and control
tubes, stair: wood
Railroad brake shoes
Railroad bumping
made in rolling
Railroad car wheels
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BUSINESS WEEK • Feb. 8, 1958

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of atomic particles. Here again they put their trust in a wild analogy. In the last few years whole groups of so-called anti-particles have been discovered—particles that reverse some of the properties of ordinary particles. Thus an anti-proton has a negative electrical charge where a proton has a positive charge. Such particles can be created in laboratory atom smashers, but are short-lived because on contact of a particle and its anti-particle both disappear. But theoretically there could be anti-matter, somewhere remote from ordinary matter, with its atoms composed entirely of anti-particles.

In the thought processes of some physicists, if anti-matter can exist, then it does exist. If it does exist, where is it? It must be far from here. How did it get there? There must be repulsive force between it and ordinary matter—negative gravitation. So there ought also to be particles with negative mass—particles which repel each other gravitationally just as all known particles attract each other gravitationally.

Of course, even if you found such particles, this would give you no more than a handle, a way to start investigating gravity. But, actually, a handle may be the biggest part of the problem. The trouble with gravity research is that gravity is always there and never changes; it has no behavior to observe or experiment with.

• **Dreams and Dollars**—Such research, though it may be approaching the subject in roundabout ways, is the kind of thing that is going on in the field of gravity- and anti-gravity research in this country. No one, according to the experts, has more than a hunch as to how the Russians are going at it, but they must be doing something along the same lines. The promise of "anti-gravitational hardware sometime this year," would seem like the wildest kind of dreaming, however.

In the search for somewhere to start in research on anti-gravity, scientists are clutching at every straw.




Somewhere, someday—many of them are now convinced—somebody may turn up a single fact, or a single correlation, that will point the way to further intense study. Until that time, however, saner heads are convinced, it would be foolish to spend too much on anti-gravity research.

• **In the Open**—For now, the most important fact about the whole problem of gravity and anti-gravity research is that scientists are now discussing the problem out in the open. In most segments of the scientific community, the subject of anti-gravity, like perpetual motion, has not even been considered a respectable subject for conversation. Now the climate has changed, and anti-gravity research has been pulled out of the attic for all to see. **END**



Mississippi Today

ECONOMIC INDICATORS SHOWING PERCENTAGES OF INCREASE FROM 1939 TO 1956, BASED ON DOLLAR VOLUME . . .

	Oil and Minerals Output	
	Mississippi	6700.0
	U.S.A.	464.0
	Electric Power Production	
	Mississippi	5111.9
	U.S.A.	423.6
	Pulp-Paper Manufacturing	
	Mississippi	2800.0
	U.S.A.	419.2

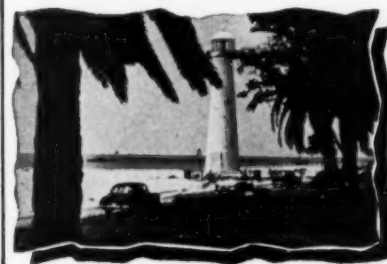
Percentage-wise, facts show that for the period 1939-1956 Mississippi increases outstripped the remainder of the United States in the following typical fields: retail trade, farm cash income, non-durable goods manufacturing, food manufacturing output and furniture manufacturing.

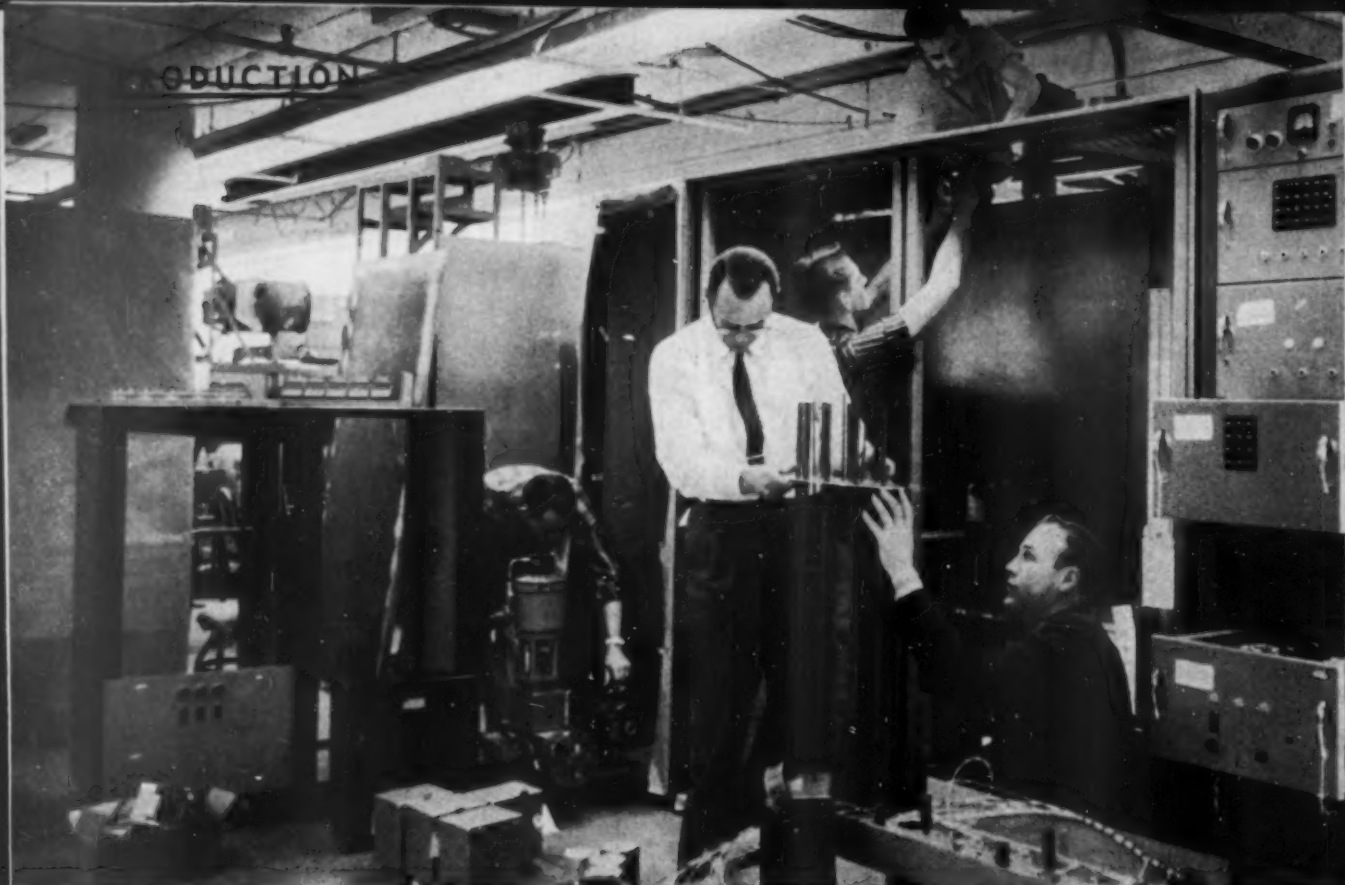
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Mississippi Agricultural & Industrial Board

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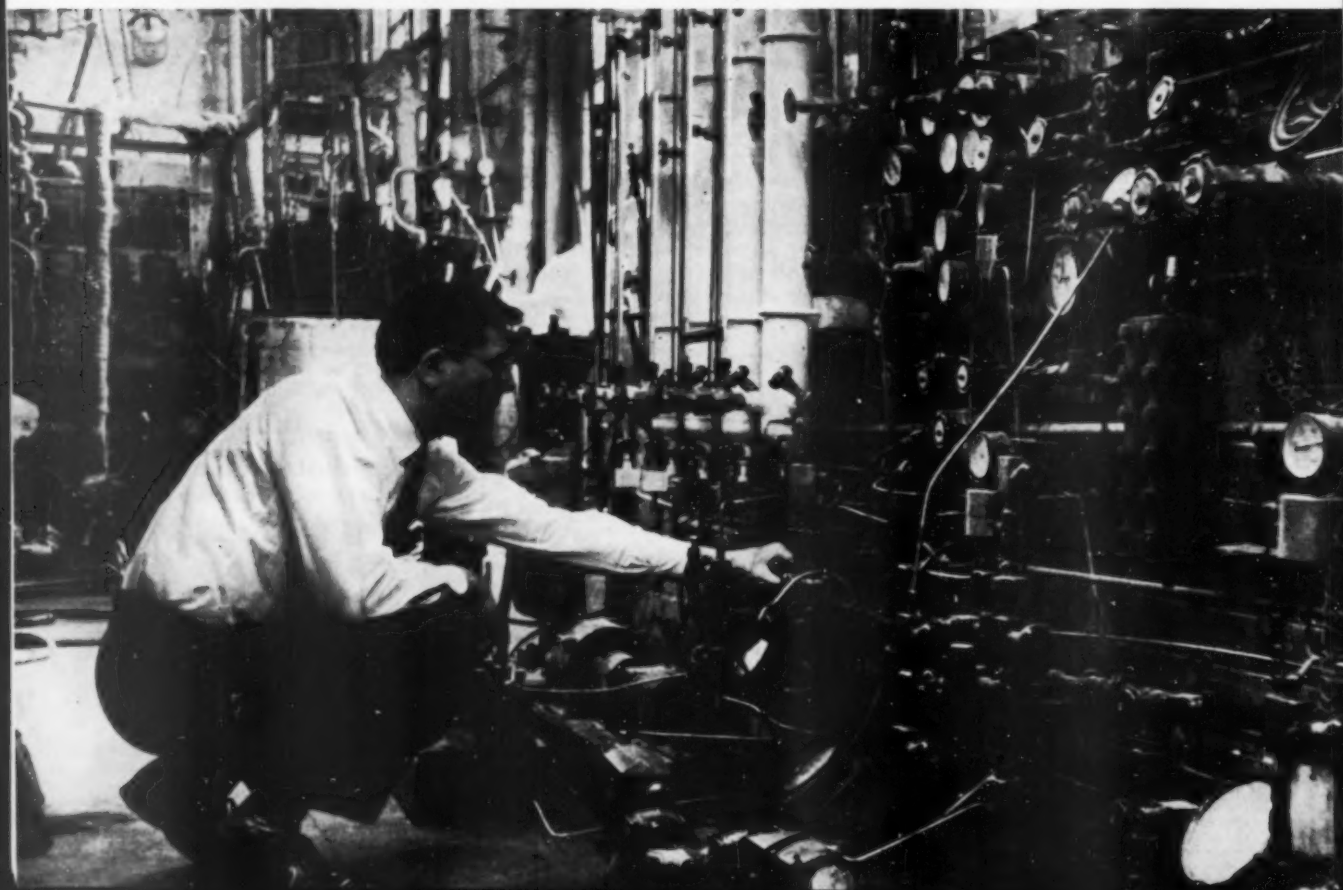
NEW

chemical pilot plant, with electronic controls, will pack test plant, instruments, and computer into small cabinets; it can run tests in minutes.



OLD

pilot plants now in use keep engineers busy with plumbing chores, take months to build, more months to run long test scores.



Automatic Pilot Plant Puts Speed in Testing

Versatile unit for Esso Research will cut operating drudgery in testing out new processes, get more accurate results faster.

"You take a young engineer out of school all fired up and prepared to do research in chemical processing," says Jack Walker, manager of Consolidated Electrodynamics Corp.'s Systems Div., "and you know what happens to him? The first—and often the only thing—that happens is that he turns into a plumber. He's got to spend almost all his time hooking up common pipes. It's a pretty expensive way to put up pilot plants, if you ask me."

Walker was talking about the usual type of chemical pilot unit—the kind of complicated setup with hundreds of parts, pumps, valves, and controls that you see in the lower picture at the left. He and his cohorts at CEC, a pioneering West Coast instrument manufacturer, are out to change all that—and in so doing, to improve the lot of the budding chemical engineer and step up the rate of new chemical developments in a vital segment of the chemical manufacturing field.

Their project is the new type of pilot plant that's being put together in the top picture—modular in design so that parts are interchangeable, and completely automatic under the ever wakeful eyes of a digital computer and quick-acting analytical instruments that keep track of the chemical changes in the pilot process (BW—Aug. 31 '57, p62).

• **Team Up**—In the typical pattern of the instrument industry, CEC is tied up in this project with the research arm of a big company—in this case, Esso Research & Engineering Co., a Standard Oil Co. (N. J.) subsidiary.

The new pilot plant, well along the road to completion, may spell the end of about 90% of the plumbing work and nearly all the operating drudgery involved in the tedious business of trying out new chemical processes on a small scale before putting them to work in plants that turn out tank car quantities.

Called a Micro-Plant, the CEC-Esso unit will be installed by late spring at Esso Standard Oil Co.'s Bayway refinery at Linden, N. J. It's so different from ordinary pilot units that it will share office space with William Priestly, a section manager of the Process Research Div. of Esso Research. The old, sprawl-

ing type of pilot unit would hardly make a good office mate.

• **Worth the Price**—The Micro-Plant is expensive. By the time its automatic typewriter starts clattering out results, Esso Research will have invested over \$250,000 in the unit. That's 10 to 20 times the cost of each of the 10 or so plumbing filled pilot units now operating in Priestly's building.

But both Esso and CEC are convinced the unit will have no trouble in paying its way. In the chemical industry, time is priceless—and the new pilot plant will set up tests faster and run off hundreds of times as many as its present counterparts. It will tell more about what goes on in its maze of reactors, input and output devices, and controls. It will even edit the results and type them out in condensed form for easy reading.

Undoubtedly, the machine will completely change the nature of Priestly's job. And as more of its type get into operation, it's likely to bring a tremendous speeding up of chemical development and process improvement throughout the petroleum and chemical industries.

I. Role of a Chemical Pilot

A quick look at the role and operation of the run-of-the-mill pilot plant in the chemical business shows why the Micro-Plant holds this promise. In chemicals, the pilot plant is the precursor of just about every new method and product. Esso Research alone has about 100 going right now—and the rest of the petroleum and chemical industry operates thousands more.

Pilot plants take over right after a basic chemical discovery is made. Research labs, where chemists often work with materials measured by the milligram and milliliter, can take only the very first steps. Once they find a reaction is possible, the next move is to "pilot it" to see if it's practical.

A chemist, for example, might find that passing a hot gas over a catalyst under certain pressure and temperature conditions yields a product that looks like high octane gasoline. At that stage, it's hard to tell. You need about a pint of liquid to get a reliable octane reading from a test engine. So you have to build a room-sized pilot plant, fully instrumented for temperature, flow, pressure, perhaps chemical analysis. Most processes require such added re-

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1% increase in production
efficiency would mean an
extra \$2-million a day..."**

PILOT PLANT starts on p. 54

finements as reflux cycles, catalyst regeneration systems, and the like. You end up with a miniature factory, and your pints of product figure out to hundreds or thousands of dollars per pound in cost.

• **Months on End**—It may be months before such a complicated pilot unit is ready to fire up—still more time before you can really get it to work. Then—if the process doesn't flop completely—comes the tedious process of pushing up its efficiency until your pilot plant will turn out its maximum amount of product in the least processing time.

If you're looking for a way to make high octane gasoline, as Esso is, consider that a pilot plant takes a couple of hours actually to produce a pint—enough for a preliminary test—in addition to many hours of engineering. For accurate results, you have to make many runs on the same setting, and average results. Then it may take days to figure out results before you discover you're on a dead end, and have to start over.

The next step—once you find out you can make the product at a profit—is still far from the big refinery tower. A mechanical scale-up is made up to see if the key steps in the process work on bigger equipment. It's still a pilot plant but is solving mechanical problems. Then may come a semiworks costing hundreds of thousands of dollars and capable of turning out hundreds of gallons per day, for consumer testing. Only after that proves out is the big plant built.

• **Always at It**—But that's not the end for the pint-a-day pilot plant. It may still be hissing along, hunting for a better combination of pressure and temperature, a long-lived catalyst, a more profitable product mix.

For the big plant, turning out 20,000 to 40,000 gal. of high-priced product per day, even a 1% increase in yield would mean a yearly bonus of 70,000 to 140,000 gal. without a penny spent on new equipment. To Jersey Standard, a 1% increase in product output across the board could mean an extra \$2-million worth of daily product.

It's so nearly impossible to get a plant operating at peak output and keep it there that chemical industry process control experts disagree only on the magnitude of the possible improvement. Some say a 20% increase in efficiency could come with full control. Others are more conservative, but none see less than a 5% increase with better knowledge and control of slight

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the only practical, economically sound
air transportation machine for
"short-to-medium haul" airline routes!



"SHORT-TO-MEDIUM HAUL" WHAT IS IT?

Route patterns divide into "long-haul," "medium-haul," and "short-haul"...each with different characteristics...each requiring a specialized air transport to fit its needs. Short and long-haul characteristics and the kind of machine needed are most clearly defined. Medium-haul is between the two, and is less clearly definable.

ROUTE DEFINITION

(1) LONG-HAUL...

a pattern of long, non-stop flights between big cities with big airports—generating heavy traffic.

TRANSPORT REQUIREMENT

(1) Requires the large turbo-jet powered airplane, flying at high cruise speeds and high altitudes for long periods.

(2) SHORT-TO-MEDIUM HAUL...

involves a varied pattern with many intermediate stops—with lower flying altitude for shorter periods—and between large, medium and small cities...some with small airports and with traffic varying from very heavy to very thin.

Since 35% to 65% of air traffic travels on "short-to-medium" haul routes, profit or loss on this portion of the system determines airline financial success.

(2) Requires a highly specialized, flexible machine of just the right size and carefully tailored to fit "short-to-medium" haul needs. Emphasis must be on economics since airline unit operating costs are inherently higher in this area.

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NOT JUST NOVELTY APPEAL!

Practical Operational Performance:

For "many-stop" schedules under today's air traffic control conditions.

NO UNPLEASANT SURPRISES!

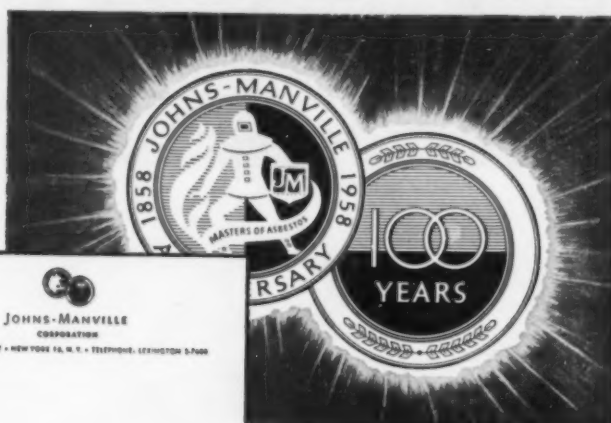
Realistically Achievable:

Highest utilization, shortest ground time with practical load factors on "many-stop" schedules.

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You can tell a company's character by the letterhead it keeps. Johns-Manville, a long-time Strathmore user, for example, recently selected still another fine Strathmore paper for its anniversary letterhead. Such continuing loyalty is, happily, common with Strathmore users—among whom are an extraordinary number of the most distinguished firms in the nation. They remain convinced, year after year, that their business correspondence on Strathmore is a quality character reference of the most expressive sort.

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"... it promises to teach chemical engineers a lot more about what goes on inside a chemical plant ..."

PILOT PLANT starts on p. 54

variations in materials and processes.

So it's little wonder that thousands of chemical engineers spend their time hooking up the thin pipes of pilot plants, turning dials, checking temperatures, and running routine analyses of the output of their miniature reactors, refineries, and stills.

II. Micro-Plant Shortcuts

That's why the new Esso-CEC bid to shortcut the pilot process is so important at this time. Their automatic pilot plant has versatile talents. It will not only tell engineers whether a process will work and under what conditions it works best. It also promises to teach them a lot more about what goes on in a chemical plant's innards and about the complex mechanical, mathematical, and chemical relationships that take place, so they can translate these relationships into the program of a full-scale plant control system that will keep a plant up to snuff.

• **Cabinet Size**—The CEC-Esso automatic pilot plant is a fairly simple organization of some very complex equipment. In cabinets standing about 7 ft. high and 3 ft. deep, it will cover one wall of a small office. Its desk-sized computer—a Royal McBee—hums away in another cabinet by its side, connected by a thick cable.

In the cabinets are the three systems that make up the pilot plant—designed on modular dimensions so the plant can switch quickly from process to process.

The first, or input, system provides for accurate metering of five or six different liquids or gases to the reactor—which is the second section. This has provisions for inserting special equipment for particular experiments—electrical controls, temperature and pressure measurements, flow controllers and pumps, and so on. The final section collects and separates the various products from the reactor, measures their volume, weighs them to an accuracy of 0.1%, pipes them to the analyzers and sample reservoirs.

The entire operation is controlled and programmed by the digital computer. The seven separate analytical instruments that put the product through its paces all read out through the computer's punched tape or automatic typewriter. After each run, the pilot plant will automatically flush itself out and start another cycle.

When the Micro-Plant is installed



in communications...no substitute can do what copper does!

Over the miles or just next door, even the tiniest sound travels far better because of copper. For only copper, of all non-precious metals, carries electrical energy so well. In the production of wire, cable and countless communication equipment parts, copper brings unmatched speed and economy to drawing, forming, stamping and shaping. No other economical metal combines so much strength with such resistance to rust, corrosion, wear and stress. In communications as in scores of other fields . . . no substitute can do what copper does.

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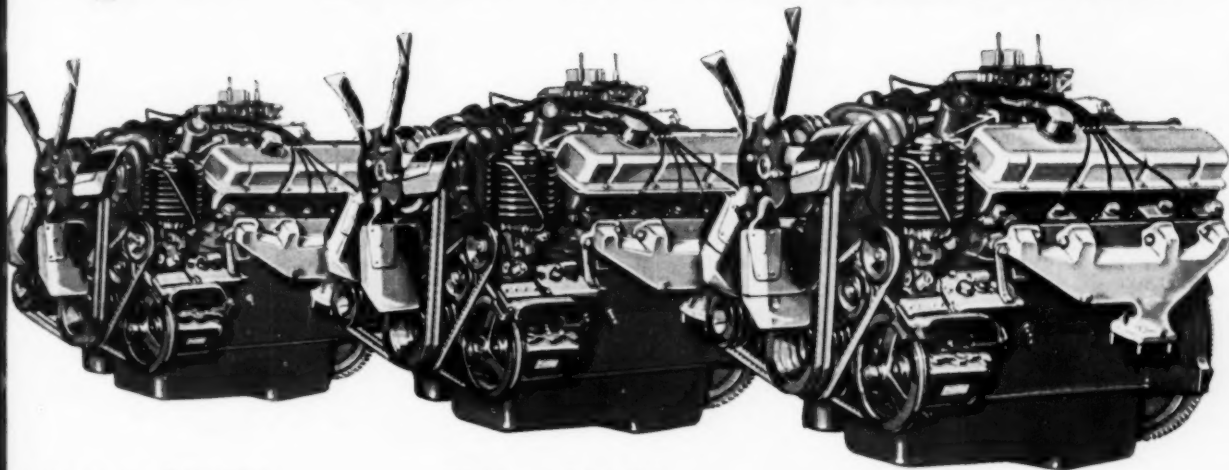
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401 cu. in. Ford V-8

Maximum horsepower—226.

Torque: 350 lbs.-ft @ 1800 to 2300 rpm.

477 cu. in. Ford V-8

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Torque: 430 lbs.-ft @ 1800 to 2300 rpm.

534 cu. in. Ford V-8

Maximum horsepower—277.

Torque: 490 lbs.-ft @ 1800 to 2300 rpm.

10 BIG NEW EXTRA-HEAVY TRUCK SERIES

GVW's up to 51,000 lb. For '58, ten new basic series are added to Ford's already extensive Heavy and Extra Heavy Duty line. Four new Tilt Cabs, four new Conventionals, and two new Tandem models offer GVW ratings up to 51,000 lb.

GCW's up to 75,000 lb. New T-950 Tandem is rated for 75,000 lb. GCW. Biggest single-rear-axle models are rated for 65,000 lb. GCW.

Front-axle capacities up to 15,000 lb. Choice of three front axles in most new Ford Extra Heavies. Rated capacities of 9,000, 11,000, 15,000 lb.

Rear-axle capacities up to 29,000 lb. Wide choice of rear axles includes single-speed and two-speed, single reduction and double reduction types. Capacities range from 18,000 lb. to 29,000 lb.

Bogie-axle capacities up to 38,000 lb. For '58 there are *five* Ford basic tandem axle models. Biggest of the *five* is the brand-new T-950 which features a tandem rear-axle assembly rated for 38,000 lb. Other bogie-axle capacities range down to 22,000 lb. for Ford Series T-700.

New transmissions. Roadranger transmission available in all ten new Ford Heavies. Up to 33% less shifting. Engines operate in peak horsepower range, use less fuel. "Short-Fourth" transmissions also available on "F" and "C" Series.

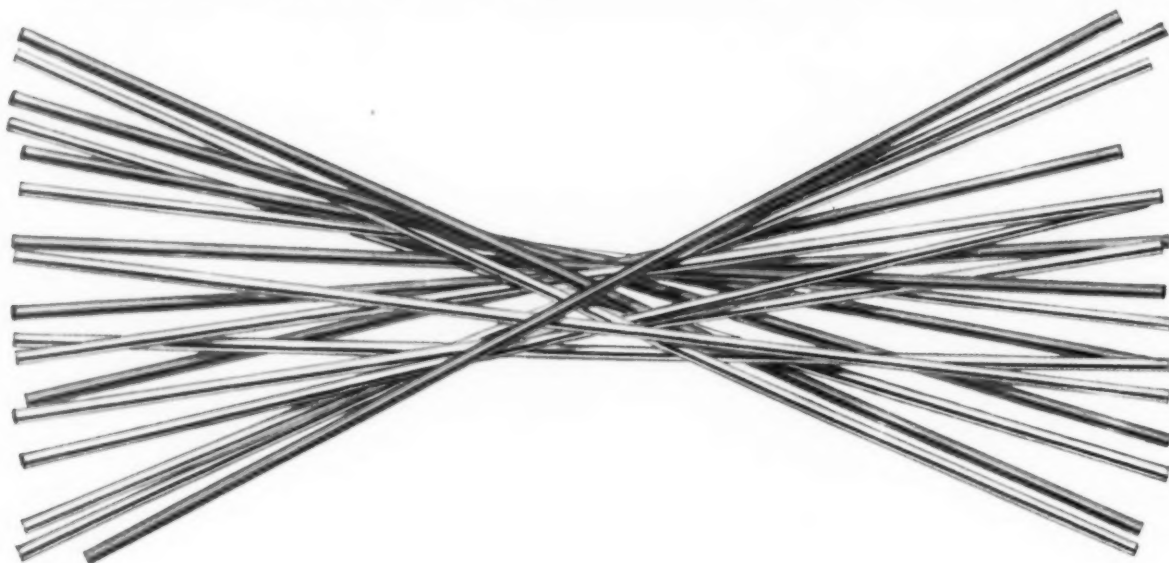
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in section-manager Priestly's office at the Esso refinery, he will have everything at his fingertips instead of having to go back to the rear of the building to check and make changes. Working with program sheets for the computer, he will enter the temperature, pressure, and flow settings for a series of experimental runs, feed the data to the computer on punched tape, flip a switch to start operations.

From lab utility lines, flush gas will clean out the machine, then the feed material will come in from an outside tank. Usually a test will be complete in minutes, as only a tiny amount of product is necessary for the chromatographs that analyze chemical compounds in the product. If Priestly needs material for an octane test, the machine will turn out about a pint an hour.

The computer can be programmed to run a whole series of tests, or can even be directed to make some simple decisions. For example, it could decide from a product analysis when to stop a series of tests at gradually increasing temperatures. However long or complex the test run—hours, days, or even weeks—the results flow out on punched tape or automatic typewriter.

• **Jobs to Do**—The first job Esso has for the unit is to work out better catalysts for its Powerforming process. That's a catalytic reforming technique (BW-Jul.7'56,p74) that changes the molecular arrangement of low octane paraffin and naphthene to high octane aromatic hydrocarbons of the benzene family.

Esso, of course, is looking for a cheaper way to make gasoline. CEC, looking for wide markets for its Systems Div., has other ideas in the back of its head—possibly expanding the automatic control system to take over the running of entire plants, since a big plant uses essentially the same instrumentation as a pilot. The idea would be to keep the big plant operating within optimum economic limits.

• **Faster, Better**—In its immediate pilot application, the Micro-Plant can recognize trends from very small amounts of material. That will permit speeding up the rate of testing by many times. But the biggest gain will be in increased accuracy. Esso researchers expect the unit to give nine times the accuracy of present techniques. The company will start out by using about half the number of runs usually required.

Even before the new unit becomes his office companion, Priestly is looking further ahead. He is trying to find chemical tests for octane rating to supplant the present empirical test of running an engine. And he, too, is thinking about ways to extend the instrumentation and control systems to full-scale manufacturing. That is pure chemical engineering—and a long way from plumbing. **END**

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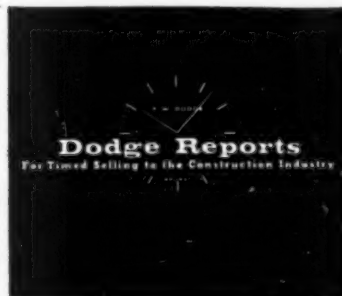
☐ House Construction ☐ General Building
☐ Engineering Projects (Heavy Construction)

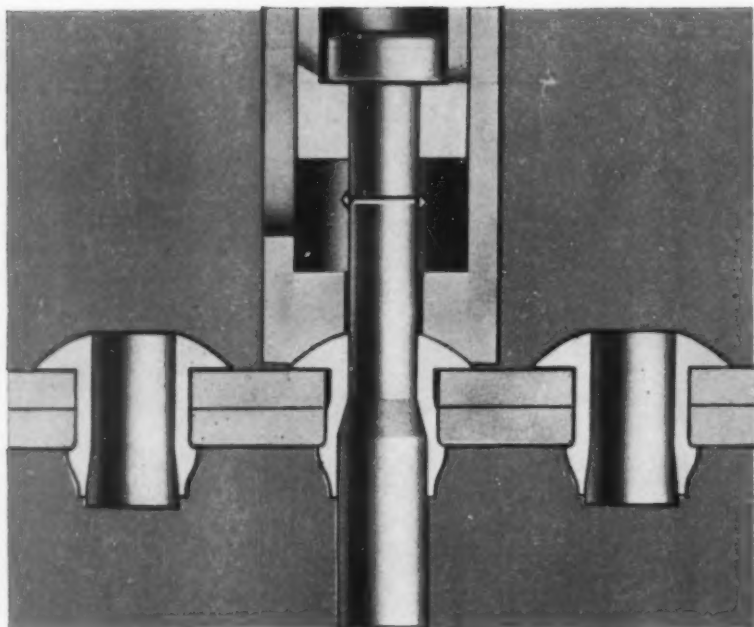
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Name _____

Company _____

City _____ Zone _____ State _____





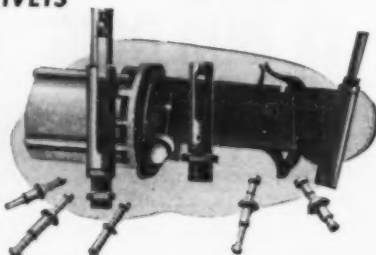
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Paper Is Shrunk . . .



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Shoppers plagued by paper bags that break open at the worst possible moment, spilling the week's groceries over the road or driveway, can take heart. West Virginia Pulp & Paper Co. has announced a new stretchable paper that is roughly 20% tougher than ordinary bag-making paper.

West Virginia Pulp & Paper's new papermaking process will be used first for making unbleached kraft papers, such as those used in shopping bags, multi-wall sacks, and other special packaging applications where paper of unusual strength is required. Initial output of the new paper, which will carry a Clupak trademark, will roll off a new \$25-million 225-tons-per-day ma-

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First in Controls

Rockwell Report

by W. F. ROCKWELL, JR.
President
Rockwell Manufacturing Company



MANY COMPANIES do not get full credit for being good industrial citizens. Perhaps this is because they neglect the last half of that cliché which says: "Good community relations consist

90% of doing good, and only 10% of telling people about it."

That "only 10%" is extremely important. Good relations—community or otherwise—depend upon understanding, and understanding cannot exist without communication. Since our 23 plants are located in 15 states and 2 foreign countries, good communications are especially important to the success of our community relations program.

Headquarters staff communicates with plant managers in a number of ways: through a regularly issued community relations newsletter designed both to inform and to stimulate; through comprehensive manuals on such subjects as Press Relations, Plant Visits, and Local Rockwell Reports (messages like the one you are reading, in which the plant manager reports to his community in his local newspaper); and, of course, through plant visits in connection with special events.

Plant managers communicate with their communities not only through the normal channels of publicity and paid local advertisements—but also in another important way. They, as individuals and as company representatives, actively participate in civic, service, educational, and charitable activities that are of real benefit to the community. The very fact of their public participation is in itself a convincing form of communication.

And then, to complete our communications circuit, plant managers report monthly on community relations activities completed, and on those planned or in progress.

All of this represents a sizable investment in time, work, and money, but we feel it is a good investment. In community relations, silence is not golden—it is just plain costly.

* * *

Exports of our Beaver Power Tools (made in Guelph, Ontario) should increase appreciably through a new program worked out by our International Division. This involves expanding distribution of Beaver Tools through the same network of dealers who now handle our Walker-Turner "Light-Heavyweight" Machine Tools in many parts of the world. The advantage to dealers is, of course, that they now have a much more complete line to offer customers.

* * *

Plans for awards to taxi drivers who perform acts of heroism, selflessness, or courtesy "beyond the call of duty" have been announced by our Register Division, which produces Rockwell-Ohmer taximeters. The awards will be made at the end of this year to recognize contributions made by driver-representatives of the taxicab industry to their communities and to focus public attention on the vital service that the industry performs for the public.

* * *

For more than a generation the Deltagram, a do-it-yourself magazine published by our Power Tool Division for home workshop hobbyists (at a dollar a year), has been widely popular—so steadily so that we tend to take it for granted. But occasionally something happens to startle us into new appreciation of reader loyalty. The latest such occurrence was a request from a reader who wants his Deltagram sent, from now on, to his new address in faraway Lubero, Belgian Congo.

One of a series of informal reports on the operations and growth of the

ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends



chine at the company's Charleston (S.C.) plant.

• **How It's Done**—The stretchability of the paper—hence its toughness—is put into the paper by a special shrinking operation invented by Sanford L. Cluett (picture, page 64), the 83-year-old inventor of the Sanforized process. In papermaking, the "shrinking" of the paper is done by a special system of roll and rubber belting (shown in model form in top picture, page 64) that kneads the individual fibers of the wet paper and pushes them back onto themselves—reducing the length of the paper about 10%.

Lab experiments have shown that a stretchable paper shopping bag, filled with an average load of groceries, can withstand 20 suspended drops without the bag breaking. An ordinary shopping bag at best can withstand only two.

• **Other Possibilities**—This strength, of course, is desirable in other than kraft-type papers, and in time the process is expected to be widely used in other segments of the industry. The added toughness in newsprint, for example, might make it possible to double press rates and output.

Licensing rights to the new process will be vested in Clupak, Inc., New York. The new company is jointly owned by Cluett, Peabody & Co., Inc., of which Sanford Cluett is a vice-president, and West Virginia Pulp & Paper. The paper company spent three years and \$2.5-million in gearing the Clupak process for large-scale production.

The cost of Clupak kraft paper will run from 10% to 15% higher than present kraft papers. But its extra toughness will allow a 20% reduction in the total weight of paper used.

NEW PRODUCTS BRIEFS

A microfilm projector designed to substantially cut the operational costs of engineering drawing microfilm systems has been developed by the Keuffel and Esser Co. The new enlarger can produce sharp and distortionless prints on diazo paper, which is one-fifth as costly as the silver emulsion papers now used. The prototype enlarger can only produce 8½ in. by 11 in. prints from the 35 mm. negatives, but larger-sized machines are in the works. The price of the smaller enlarger: about \$2,000.

• An inexpensive personal photo copier, for secretary or boss, will be marketed in March by the Eastman Kodak Co. This Verifax Bantam Copier, which weighs in at 14 lb., can handle 8½-in. by 11-in. documents, letters, and drawings, copying them at a cost of about 24¢ per copy. Price of the new copier is \$99.50.



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Stopped . . . because automatic control circuits and operating elements were not designed on the modular basis, with Cannon quick-disconnect electrical connectors at vital points.

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Send for explanatory material on how modular designs can save dollars.

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THE DECISION by Pres. D. C. Minard and his top aides broadens the Trane Co. . . .

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WRITE ON YOUR BUSINESS LETTERHEAD FOR THIS NEW PORTFOLIO OF LETTERHEAD DESIGNS, NO. 11. PARSONS PAPER CO., HOLYOKE, MASS.
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From Industrial Goods

Of all the appliances built into the American dream home, air conditioning has long seemed to have the rosiest future—and just about the least profitable present.

For manufacturers of window units, the field has been chaotic and cut-throat, too subject to the vagaries of summer weather. Literally hundreds of companies have spurted into the business, and as quickly fizzled out.

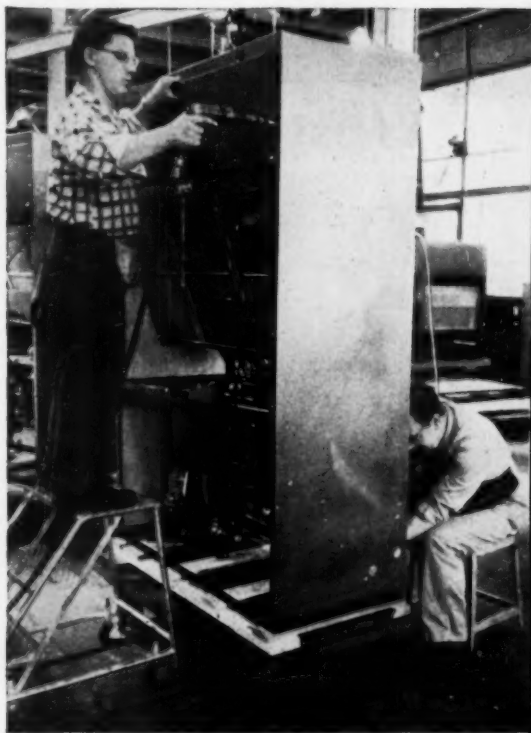
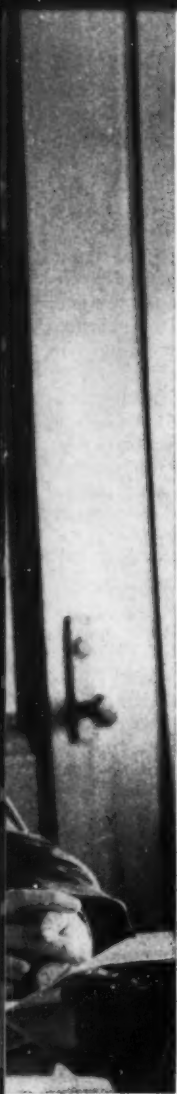
Among makers of central air-cooling systems for homes, the competition has been equally intense, if less noticed. Almost as many companies have started making central systems as window units—with the public even more apathetic. Of the approximately 980,000 private homes started in 1957, only about 7% included central air condi-

tioning. Perhaps another 75,000 families added the big cooling systems to existing homes. As a result of slow buying, the more than 200 companies that once sold such systems have now shrunk by half.

• **Added Starter**—Heading this pack are some giants: Carrier Corp., General Electric, Westinghouse, General Motors (Frigidaire and Delco), Chrysler (Airtemp), Borg-Warner (York), and Lennox Industries, all of whom make both heating and air-conditioning equipment.

For none of these is the home business very profitable right now. Manufacturers' shipments last year rose, while actual installations dipped—and contractor-dealers are loaded with inventory.

Into this melee, Pres. D. C. Minard



OLD LINE of Trane air conditioners is well established in the commercial and industrial field, but Trane has been shunning the home market.

NEW LINE of more compact air coolers for the home is being teamed up with Trane's household heating equipment in a new package for builders.

Into a Stubborn Consumer Market

(cover and picture above) is blithely leading Trane Co. of LaCrosse, Wis. Being, for practical purposes, last into the residential air-conditioning field doesn't worry him at all. Trane is used to coming up from behind. Its over-all volume has jumped from \$13.8-million in 1946 to \$80-million last year.

- **Wealth of Experience**—Trane is not exactly new to the air-conditioning business. In its latest sales figure, air conditioning represented a full half. Until now, however, Trane has specialized in big-building refrigeration. Today, in the big-building category, Trane runs second only to Carrier, and it claims to be first in the industrial plant specialty.

- **Potential Seen**—Now Trane is ready to bull its way into the residential business—a vast market that, so far, is

relatively untapped. Only about 2% of the nation's homes have installed central systems, yet many people in and out of the industry still think that the day of universal central air conditioning is inevitable.

"It's just a question of time," says Minard. "Americans want to be comfortable. They've gotten used to air conditioning in stores and offices, theaters, and restaurants. It won't be long, in many parts of the country, till a home built without central air conditioning will be obsolete when it's completed."

By choice, Trane has been laggard in getting into the residential field. The company takes pride in its conservatism. "We never rush into anything," a company official says. "We always have

one foot anchored before we take the next step."

"Most of us are engineers," Minard adds, "and it's important that we continue to think like engineers—that we continue to be an engineering house."

I. Experts on Heat

Trane was started in 1913 by James Trane and his son Reuben, both plumbers, to make heating systems and parts for vapor and steam heating. Reuben developed a lightweight fin-and-tube heat transfer coil that became the heart of its convactor-radiators—the low base-board heating elements used most commonly today. Trane says it is probably the leading producer of these units.

From the beginning, Trane has been

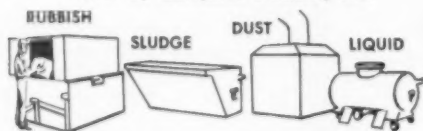
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expert in heat-transfer mechanisms—and refrigeration is basically heat transfer. In the early 1930s, the company started working with air conditioning. But, where its heating products were generally production items for wide distribution, the company did its air conditioning from the beginning as individual, custom-engineered jobs. Air conditioning remained a comparatively small part of the business until the end of World War II. Then, Trane started pushing it; among other things, it doubled its field sales force.

By 1951 its big-building installations were grossing close to \$12-million a year, and they have since risen to the \$40-million mark—against the competition of the same other big outfits they'll be bucking in the residential field.

II. Management Decision

Until now, though, Trane hasn't liked the look of the residential market.

For one thing, both Reuben Trane and Minard, who succeeded him as president in 1951 after 26 years with the company, felt that the window-unit business was both transitory and unstable. More importantly, Trane had no experience in the consumer appliance business—particularly for an item so dependent on impulse buying as window-units. It wasn't geared to produce for that market, and its name was almost unknown at the consumer level.

• **Holding Out**—The company was so adamant about window units that it even refused to sell components to other assemblers. (Actually the majority of companies selling air conditioning—window or central—buy components, assemble and market the units.) So many fly-by-nights were putting out lemons that Trane feared loss of prestige if any of those lemons contained a single Trane part. Such an experience might sour a potential customer for one of their big installations.

Meanwhile, the window units and the upsurge in commercial and industrial air-conditioning systems continued to accustom people to more comfort in summer. Trane kept an eye on the residential field. Five years ago, it started working on its own central system. But it didn't move openly until it was sure its position in the industrial and commercial market was secure.

• **Package Units**—From its earliest days in the field, Trane had made some self-contained units—packaged systems ranging from 3- to 20-ton capacities—used in stores, restaurants, and small theaters. They had generally been kept in reserve "to round out the line" if a dealer or customer asked for one.

Two years ago, Minard started pushing these packages, partly to test the market for smaller equipment but even

Stapling slashes costs, solves tough shipping and packaging problems for food industry

All industries have fastening problems, but they're especially critical in the food field. That's why you'll find Bostitch stapling so widely used by growers, packers and retailers.

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You may need a fastening method that offers these benefits. Chances are good that Bostitch stapling can help you. One of the 400 Bostitch Economy Men, who work out of 123 U.S. and Canadian cities, will gladly investigate. He's listed under "Bostitch" in your phone directory—or send us the coupon.



Stapling lettuce cartons in the field is 3 times faster than wire binding—quick adjust knob sets stapler for varying board thicknesses or bulging contents.



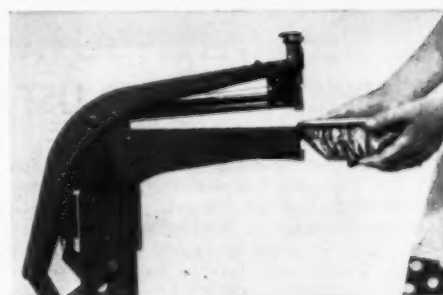
Leading meat packer finds stapling cartons 33 1/3% faster than nailing wooden boxes. Increases production while cutting labor and material costs.

Stapling beats hand tying 2 to 1 sealing grapefruit bags at citrus grove. The special forked blade speeds fastening of mesh and cloth bag drawstrings.



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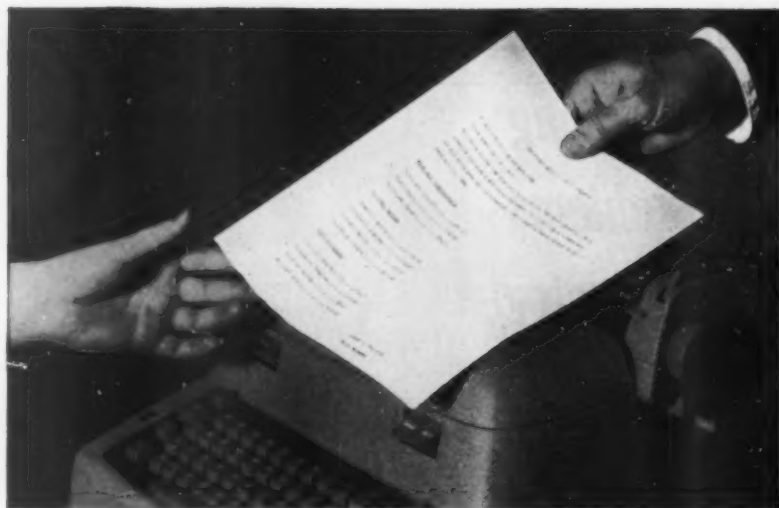
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more to train a core of dealers and his field sales force to handle a product similar to the residential unit it was already planning.

The line was extended in range, designs were modernized, and 25 "specialists" in packaged coolers were added to the field force, to sell the product to dealers who already handled Trane heating equipment, as well as to find new dealers.

• **The Idea Works**—This move the company found successful. In spite of the competition—and Trane says industry sales in this category dropped 30% last year—the packaged line not only picked up a substantial amount of new business but also turned a profit in its own right. That clinched Trane's decision to plunge into the home market—particularly since the home unit (picture, page 68) will be essentially the same components in slightly different cabinetry.

The changed market is also putting Trane into a second new business—making central heating units. Although it has always made the room end of the system (the convectors and radiators), it did not make the furnaces, too, as all of its important competitors did. Builders and dealers prefer to handle the central air-conditioning and heating system as a unit. Three years ago, Carrier Corp. acquired Bryant Mfg. Co. just so it could offer such a package.

Now Trane is ready to offer either the heating or the air-conditioning unit, or the whole system.

III. Modestly Confident

Minard doesn't expect to make a major dent in the market immediately, but he feels that the stronger the hold Trane gets now, the better off it'll be for the long pull.

The first systems won't be coming off the line at a new plant in Clarksville, Tenn., until midsummer. Minard figures if Trane can grab off as much as 1% to 2% of the market this year, the new line will have been successfully launched. If torpid sales are any indication, Trane men note, obviously no one has yet found the key to marketing success in the field—so Trane will still be getting in on the ground floor in home cooling.

Right now, details of the product are still under wraps—but Trane engineers think they have something as good as anything on the market. For one thing, they claim, their equipment will still function effectively under extremely high heat conditions where some existing systems have fallen down.

• **Hard to Break In**—Trane is counting on two things to get it into the new market: (1) its solid reputation among engineers and contractors for heating products and commercial air condition-

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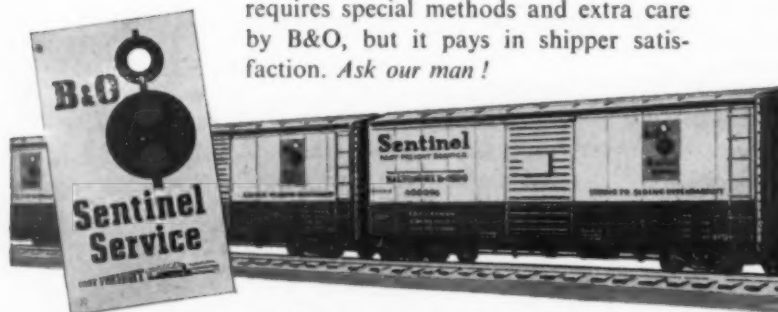


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ing and (2) an aggressive sales campaign.

It will need both—for the biggest problem Trane faces is in distribution.

All residential central heating and cooling systems are "retailed" by the man who actually installs them—the heating contractor. A manufacturer can sell by persuading the contractor to push his brand over others, by persuading the mass builder to specify a particular brand to his heating contractor, or by persuading the individual home owner, through national advertising, to specify it.

Many companies have found that, on heating and cooling equipment, the home owner tends to take the advice of his contractor. So Trane is planning national advertising but is saving its heaviest effort for dealers and builders.

• **Exclusive Group**—There are some 10,000 heating and air-conditioning contractors of any size in the country—and almost half of these are concentrated in the northern one-third of the country, where demand for central air-conditioning has been lightest. Of the rest, better than 3,000 are already tied to one of the top 10 companies in the air-conditioning field. The rest handle from two to 20 different lines.

Many of these contractors—Trane won't say how many—already handle Trane's heating equipment: the convectors, radiators, and steam fittings. The company assumes many of them will take on the new heating-cooling package system. It expects to have 500 contractor-dealers by midyear when it starts production on its residential systems and 1,000 by 1961. By 1965, it hopes to have 3,000, covering most of the major communities. Builders are also familiar with Trane products, and Minard expects a carryover of brand acceptance there, too.

• **Laying a Pipeline**—While waiting for its new product, Trane is beefing up its 300-man field sales force. A packaged goods specialist will be added to each of the 97 U.S. sales offices, and 45 factory-trained service engineers will be available to help new dealers. To provide overnight deliveries, a chain of seven leased warehouses has been set up across the country, to augment the plant facilities at LaCrosse, Scranton, and Clarksville.

The company doesn't expect this operation to be easy. No one in the industry expects any great upsurge in over-all volume in the next few years, so Trane's sales will have to be wrung out of major competitors—many of whom have greater resources than Trane, and all of whom have more experience in the domestic market.

Minard doesn't expect the residential line to add much to profits until 1960. "But," he says, "we'll be making ourselves felt in the market by next year." **END**

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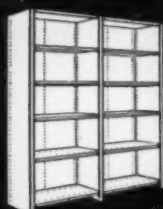
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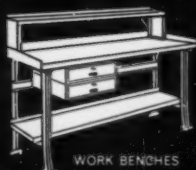
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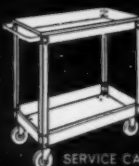
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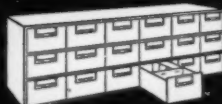
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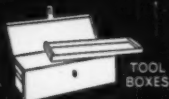
STOOLS



SHOP BOXES



DRAWER CASES



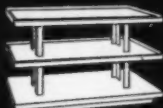
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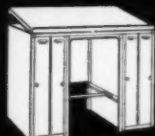
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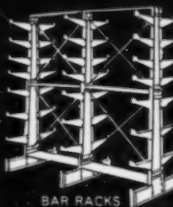
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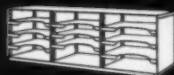
DISPLAY TABLES



DRAWING TABLES



BAR RACKS



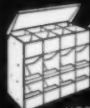
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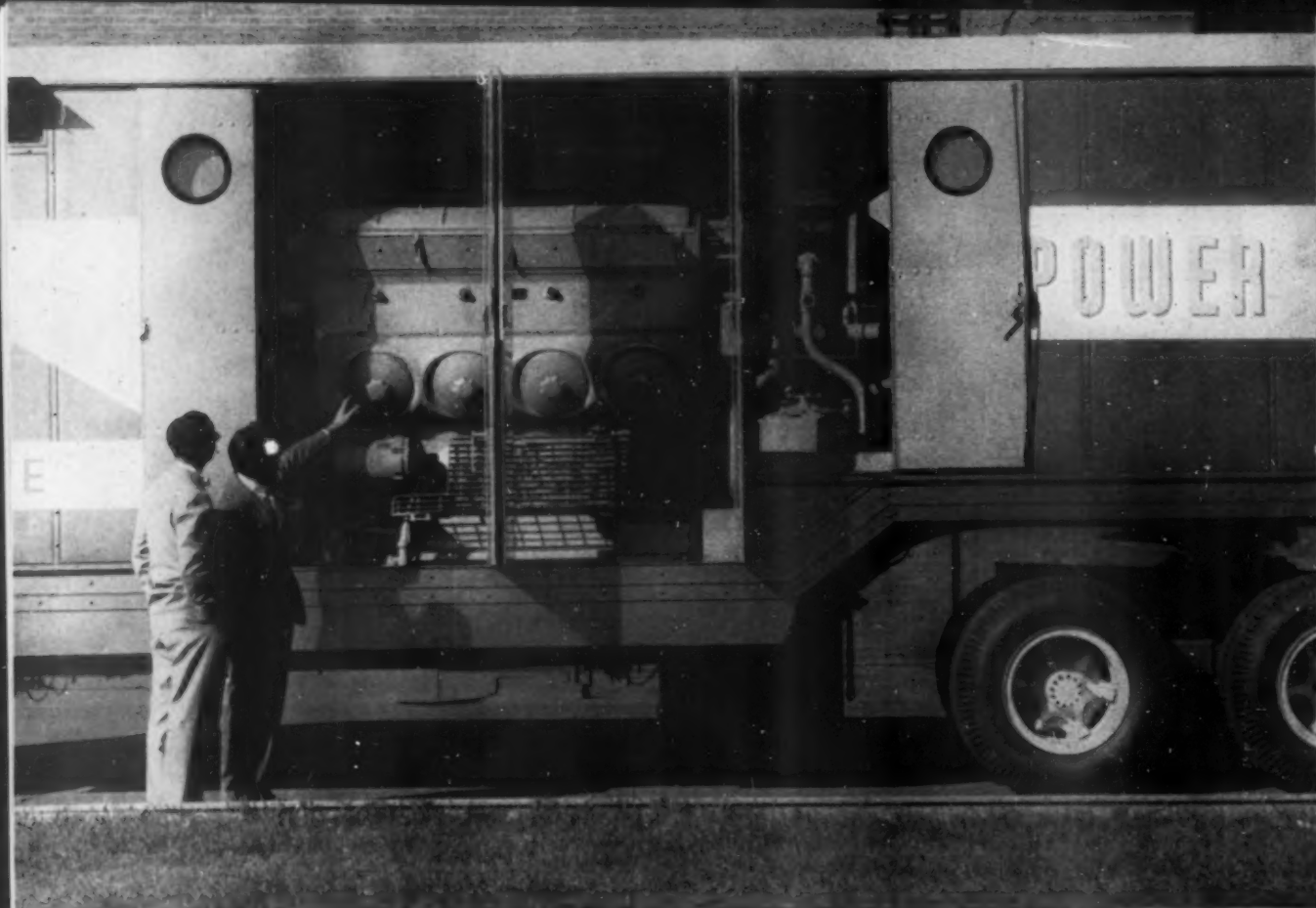
HOPPER BINS



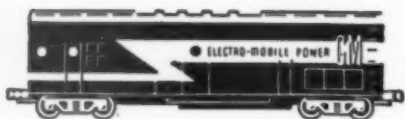
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In Management

• • •

Employees Are on Their Own in Reporting Expenses to IRS, Most Companies Say

Employees will generally be on their own in reporting reimbursed expenses on their income taxes, as required by the Internal Revenue Service, starting this year (BW—Nov.16'57,p169).

That's the attitude of most companies questioned by BUSINESS WEEK reporters in a nationwide survey. Almost every company had reminded the employees that the IRS rule went into effect for the January expense accounts, but very few planned to change their book-keeping methods to ease the employee's pain when he makes out his return.

The companies—after running to their accountants—are telling their employees that they will probably be in the clear if they attach carbon copies of their expense accounts to their returns, but if they want to be extra safe, it would be a good idea to keep all receipts on hand. The assumption is that companies will put the claims under close scrutiny anyway, so that anything that passes them is likely to be O.K. with IRS.

Most companies say their economy parings have already cut expense accounts to the bone, so IRS is unlikely to ferret out any padding. However, they suggest that employees use credit cards and restaurant charge accounts whenever they can. Many companies now require employees to keep copies of the expense sheets.

A few companies will actually keep the expense records for their employees—partly because they figure next spring the taxpayers will be wailing for help anyway.

Meanwhile, the plight of the taxpayer is drawing some expressions of sympathy in Washington, where Rep. F. Edward Hébert (D-La.) has introduced a bill that might serve to allay their anguish, by making it easy for IRS to wink at noncompliance.

Not everyone hates the new rule. Large hotel chains are trying to capitalize on it by selling companies on the joys of direct billing systems, which would effectively rivet the traveling employee to the chain. Of those who hate the rule, cab drivers are among the most vocal: They're being plagued by demands for receipts.

• • •

Underwood Got a New President But Didn't Bother to Announce

The \$85-million-a-year Underwood Corp. changed presidents last December, but didn't bother to make any public announcement. The business machine maker simply told the New York Stock Exchange that Pres. Wm. G. Zaenglein had resigned and that chairman and chief executive officer Frank E. Beane had taken over the title, said that it intended to postpone

further mention of the fact until the annual report in early March.

Beane had been running the company since last summer, when he moved up from financial vice-president to take over the top job from Fred M. Farwell. A former stockbroker, Beane had opposed Farwell's plan for a merger with National Cash Register Co. and the extension into medium computers. He wanted to lead the company back into emphasis on office equipment.

Zaenglein, who had been brought in by Farwell from Monroe Calculating Machine Co. to be executive v-p, was made president. But he had few duties aside from supervising the factory and research operations, and had, in fact, been on a leave of absence for six weeks before his formal resignation.

In other executive changes:

- James E. Dyer became vice-chairman of Sinclair Oil Corp., and Thomas B. Kimball took over Dyer's old post as president of the subsidiary Sinclair Refining Co.

- Howard M. Packard became president of S. C. Johnson & Sons, Inc., wax manufacturers, the first holder of the job not a member of the Johnson family.

- Carter Kissell, legal counsel for National Malleable & Steel Castings Co., became president and chief executive officer of the corporation, taking over from Cleve H. Pomeroy, who is the new chairman.

- Frank H. Vandenburg, became president and top man at Mallory-Sharon Metals Corp., and James A. Roemer moved up to the chairmanship. Roemer is also chairman of Sharon Steel Corp., which owns one-third of the special metal producer. P. R. Mallory & Co. and National Distillers & Chemical Corp. are the other owners.

- Eight (of 11) vice-presidents at Sylvania Electric Products, Inc. were made senior v-p's to increase the company's emphasis on decentralization.

• • •

Management Briefs

The frequently rumored sale of Graham-Paige Corp.'s quarter interest in Thermoid Corp. has taken place. The buyer—for \$3.6-million—is H. K. Porter Co., Inc. Porter also picked up another 71,500 shares on the open market, will soon make an offer to Thermoid holders for the additional 100,000 shares it needs for a majority.

Chicago meat packers, seeking to change the 1920 consent decree blocking entry into the retail field, got the hearing moved to the Windy City over objections of government lawyers. The packers claim the shift from Washington will save them \$250,000 in trial costs.

Lynch Corp., Anderson (Ind.) maker of glass forming machines, has fired Pres. Elvin E. Hallander, and is being run by a five-man officer group. The company gave no reason for the ouster, is unsure of Hallander's position as a director.

A. V. Roe Canada, Ltd., has taken a major reorganizational step for its big Dominion Steel & Coal Corp., Ltd. (BW—Nov.16'57,p60). It has realigned the 23 individual Dosco companies into four operating divisions, with the head of each division reporting to A. C. McDonald, executive v-p of Avro. Dosco has also moved to strengthen its management team by making eight major appointments, most from outside.

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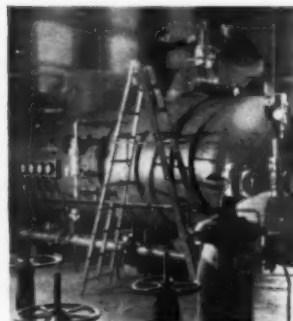


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INTERNATIONAL OUTLOOK

BUSINESS WEEK

FEB. 8, 1958



The crisis in Indonesia (BW—Dec.14'57,p44) will soon reach its climax. Developments in that island archipelago could force the U. S. into decisions as important as any we have made in Asia since Korea.

At midweek, it looked as if an anti-Communist government might be forming in Sumatra. That could easily lead to civil war—unless Pres. Soekarno, now visiting in Tokyo, should decide to ditch his Communist followers and throw in the sponge.

Any way you look at it, the stakes are high. The question is whether Indonesia's 85-million people and its vast resources of oil, tin, rubber, and spices are to stay with the West or move into the Communist bloc.

There's little chance of a clean-cut solution in Indonesia soon. The situation is too complex. The basic elements:

- Pres. Soekarno, long a symbol of Indonesian nationalism, still is the most powerful single force. There is little chance that Soekarno will give way to his opponents by agreeing to retire from the scene.

- The PKI (Indonesian Communist Party) now has almost unchallenged influence among 45-million people living in East and Central Java. The PKI is moving fast to increase its strength in West Java and some of the outer islands. The Communists contribute to chaos but apparently want to postpone any showdown until their position is even stronger.

- The tough young military commanders, who are virtual war lords in large areas in the outer islands, now have control of most central government functions. Col. Barlian not only controls south Sumatran exports of rubber, tin, pepper, and copra but also has two of Indonesia's four oil refineries in his grasp. Col. Simbolon controls most of northern Sumatra.

- Then there is a group of anti-Communist politicians—mostly from the reformist Moslem Masjumi Party—who have gathered in Padang on the west coast of Sumatra. This group has been trying to unify all dissident elements into an opposition government with strength enough to force Soekarno's hand. Among the opposition leaders are Shafruddin, the deposed governor of Indonesia's central bank.

If the politicians and the officers get together, in a government, they will control almost all of Indonesia except Java. Such a development would put Soekarno on a bad spot when he returns from Tokyo.

It would also force the State Dept. to a tough decision—whether to recognize the new government and give it backing. If State should, Soekarno might well turn to Peking and Moscow for help—turning Indonesia into a hot spot in the cold war.

—•—

The European Common Market is off to a good start—but the outlook for an associated Free Trade Area is cloudy. Negotiations, now under the wing of the Organization for European Economic Cooperation, may break down.

The six members of the Common Market refuse to buy London's plan for bringing Britain, Switzerland, Austria, and the Scandinavian countries into a wider free-trading zone. Unless the British change their tune, there may have to be a fresh start—with Britain negotiating separately.

One problem is agriculture, which Britain has excluded from its FTA scheme. But London now seems ready to concede a lot on this score.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

FEB. 8, 1958

The question of a common tariff is stickier. The Common Market is to have a single tariff toward the outside world. Originally the idea was to have members of the Free Trade Area keep their own separate tariffs for third countries such as the U. S. But now it looks as if Britain may have to agree to establish common rates with the "Six" on certain products. This would mean raising British, Swiss, and Scandinavian tariffs against some U. S. and Commonwealth goods—something the British still hesitate to do.

American companies are showing a growing interest in the plans for building a huge mass market in Western Europe—and in the opportunities for investing there. The interest was apparent this week at a special conference held in New York by the American Management Assn.

In fact, the U. S. investment potential is one of the things that is forcing London to bring its Free Trade Area scheme more in line with the Common Market. The British don't want to be left out of the huge flow of American capital that's expected in the next five to ten years.

Costa Rica's elections have put conservative-minded Mario Echandi in as president. Three weeks ago Guatemala also gave the largest vote to a conservative.

Echandi's victory in San Jose may be a blow to ex-Pres. Jose Figueres' liberal policies: low-cost housing, agricultural reforms, and public works in outlying areas. But it's a boon to U. S. and foreign investors whom Echandi avidly welcomes. Rising taxes and living costs, coupled with continuing low wages, helped Echandi win over Figueres' candidate.

Venezuela seems to be recovering quickly from the revolution that overthrew Dictator Perez Jimenez (BW—Feb. 1'58, p79). The controlling junta—three military men, two civilians—is laying the groundwork for civilian rule and free elections. For the moment, there's no sign of a new strongman trying to grab power. Exiled leaders returning to Venezuela are speaking temperately about U. S. oil interests. But no one is betting—yet—that the country will escape new disturbances.

Having called for general elections March 31, Canada's Conservative government—a minority regime—now faces a stormy campaign.

The odds today favor Prime Minister Diefenbaker. But the Liberals will campaign on rising unemployment and declining trade. And they can charge that Diefenbaker wants the election now so he can get the votes in before the March unemployment figures are known. These are expected to show a 50% jump.

The Eisenhower Administration is trying hard to mollify some of the industries that are pushing hardest for protection against foreign competition. For example, the State Dept. is quietly trying to work out a deal with Tokyo that would limit "voluntarily" Japanese exports of stainless steel flatware to this country. Then, the same plan may be tried for tuna fish. A voluntary formula already has been used to damp down sales here of Japanese textiles.

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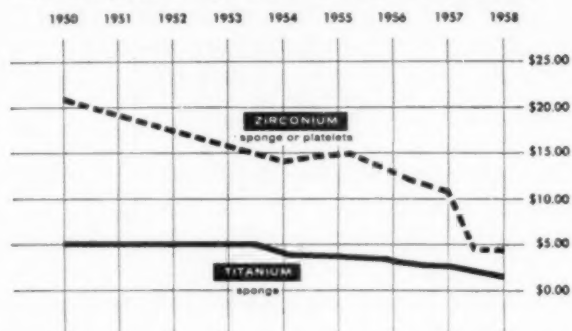
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An Easier Year for Bosses

● AFL-CIO is charting a wary course that may moderate bargaining pressures.

● Executive council sees 1958 as time for labor to look to its defenses, not to plan aggressive moves.

● So Miami Beach meeting tones down anti-Teamster stand, adopts go-slow policy in general.

This is to be a year of retrenchment by organized labor. Union leaders are modifying their positions in many important areas—on the necessity of a no-compromise stand against the International Brotherhood of Teamsters, on organizing, in the field of legislation, and, although not by design, even in collective bargaining.

They feel that 1958 is a year in which past gains must be protected, not one for aggressive moves.

• **Union Strategy**—Labor's strategy was plotted this week at the opening sessions of a leisurely, 10-day meeting of AFL-CIO's 29-man executive council in Miami Beach. Traditionally, the council suggests goals for federation affiliates at its midwinter conferences.

As the council assembled this year, the economic forecast made for it was as chilling as the cold winds then swirling along Collins Avenue. Unemployment had passed 4-million. Federation economists could not foresee an end to the nation's economic recession before late 1958—at the earliest. Investigations into union corruption were continuing to foster public suspicion of all labor and to raise demand for restrictive legislation. And, inside unions, membership morale was at the lowest level in many years.

All of this tempered the decisions of the council.

• **The Significance**—For employers, the AFL-CIO program for 1958 that evolved out of the council sessions may mean a welcome breathing spell. Employers still will have to deal with union organizing and bargaining pressures, but not to the extent that they have felt these pressures in other recent years. Here's what's in the cards:

• Organizing will continue to be curtailed; no major campaigns are likely.

• Despite the demands made recently by the United Auto Workers, the bargaining gains that unions can be expected to go after will be moderate in comparison with other years. There will be more talk of dimes and less of quarters.

• **Jurisdictional squabbling** will continue, and in some instances may even be intensified as unions fight for jobs for idle members—but the battle feared most by employers generally, one between AFL-CIO and the Teamsters, probably has been put off for some time.

Outside the field of bargaining and organizing, AFL-CIO plans for the year call for a milder position on legislation and civil rights, and—at least while Congress is in session—no excitement over political action.

• **Not by Choice**—The shift to moderation was not made by choice. AFL-CIO Pres. George Meany, and such close associates as Walter Reuther of UAW and James B. Carey, president of the International Union of Electrical Workers, would have preferred it otherwise. But circumstances rather than preferences had to be considered.

Any organizing furor or concerted bargaining drive would have aroused public sentiment for further curbs on labor. A firm position on the Teamsters, possibly breaking a two-month undeclared truce (BW—Feb. 1 '58, p107), might have set off a bitter union war at a time when labor's leaders consider unity vital.

• **Meany Setback**—The lenient position taken on the Teamsters—and the indefinite postponement of action to charter "rebel" IBT locals as AFL-CIO federal locals, or to forbid AFL-CIO affiliates to have mutual aid pacts with the IBT—constituted a rebuff for Meany.

The 63-year-old former plumber, now in his second term as AFL-CIO president, has been the federation's loudest exponent of a no-compromise position on the Teamsters, or on any other union that fails to meet AFL-CIO ethical standards. Until this week, he had never been seriously challenged on this. Other federation policymakers always went along with him, although some certainly disagreed with his approach.

This time, the blunt-talking, deter-

mined AFL-CIO leader wanted a further crackdown on the Teamsters. He told the council that he does not consider the "monitor" plan under which IBT now operates "any help at all" for the truckers' union. The three-man board of monitors, headed by Judge Nathan Cayton, was given "overseers' powers" by a consent decree issued by U.S. District Court Judge F. Dickinson Letts last week. The decree ended a temporary injunction barring James R. Hoffa from office as IBT president.

Asked whether he expects any improvements to result from the plan, Meany answered flatly, "None whatsoever."

Under the circumstances, Meany called for issuing AFL-CIO local charters to Teamster groups anxious to get out from under wing of the controversial Hoffa, and for abolishing a half-dozen pacts of friendship and cooperation with the Teamsters. To go along with the Meany proposals would have meant union war with the powerful Teamsters, whose executive board was preparing to meet nearby—with relations with AFL-CIO high on its agenda—at a plush motel, the Castaways, just outside Miami Beach.

AFL-CIO executive council members who ordinarily support Meany questioned the wisdom of his proposals. Led by George Harrison of the Railway Clerks, they urged a "wait and see" policy that would give Hoffa a chance to make good on pledges to clean up areas of corruption within his union, and that would "leave the clean elements of the Teamsters within the union," as a pressure bloc for changes.

UAW's Reuther took the same position, although he said he would back Meany to the hilt if the AFL-CIO president insisted on a further crackdown. A. J. Hayes of the International Assn. of Machinists, chairman of the AFL-CIO Ethical Practices Committee, also urged a more cautious position.

The moderates prevailed. Meany ruled that it was the consensus of the council to defer action on his proposals for at least three months. But when asked later whether this could be interpreted to mean that the council has hopes of "something being done" in the Teamsters, Meany replied grimly, "I didn't say that."

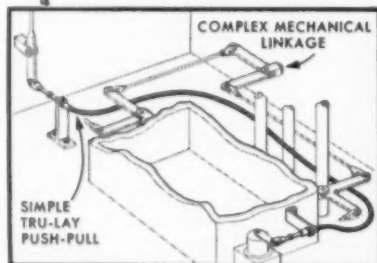
• **Hoffa Isolated**—Meany didn't strike out all the way, however. He put through a move that whittled down Hoffa's power and prestige in organized labor in Michigan, by forcing a

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union of the AFL and CIO central bodies in that key industrial state.

In an unprecedented action, Meany—with council backing—withdrew the charters of AFL and CIO bodies in Michigan that have failed to merge. He moved to establish a new and unified AFL-CIO federation in the state, and called a special convention for Grand Rapids on Feb. 24.

Pro-Hoffa forces have long been dominant in the AFL body in Michigan. According to Meany, these forces have been the main factor in preventing a merger in the state.

• **Precedent**—Although the deadline for uniting rival AFL and CIO state organizations passed late in December, negotiations for mergers have been stalled in a dozen major industrial states, largely because of disputes over jobs and the disposal of assets.

According to Meany, the Michigan situation was singled out because it was the only one in which the Teamsters' influence was a main factor, and in which—as Meany said—"we felt we could get no further by conciliation."

But, he warned, the Michigan precedent will be followed in New Jersey and Rhode Island if impasses aren't broken in a month or so, and in any other laggard states, too.

• **Operating Engineers**—On other anti-racketeering fronts, the council appeared to be making headway with a minimum of friction.

The Ethical Practices Committee took hopeful looks at the International Union of Operating Engineers—the latest target of the McClellan committee in the Senate. The council heard encouraging reports on progress toward new bakery and laundry unions to replace those ousted.

At midweek, the man the McClellan probes reportedly were most interested in during the IUOE inquiry—the union's president, William E. Maloney—appeared about to resign.

Meanwhile, Meany was working with friends in the building equipment operators' union on a formula that would avoid a repetition of the IBT expulsion. The resignation of Maloney would probably mean quick and positive moves within the IUOE to conform with AFL-CIO ethical standards.

• **Organizing Lull**—Although the federation claims that victory in a majority of National Labor Relations Board elections added substantially to AFL-CIO membership in the past two years, organizing has been curtailed sharply since mid-1957. In part, this has been a result of the McClellan revelations in the Teamster and other probes.

The lull will continue. Because of it, and because of the loss of income due to the IBT expulsion, the federation has cut heavily into the ranks of its organizers. The council this week

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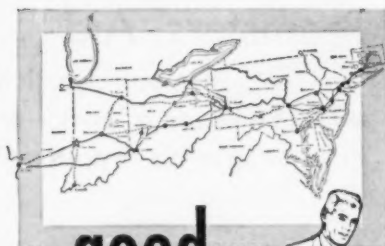
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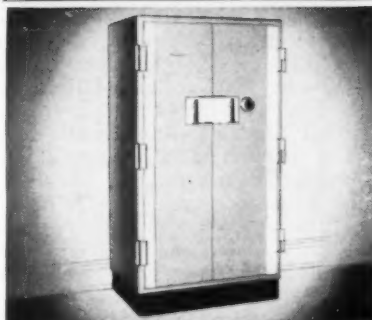
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approved the removal of 165 of the federation's 265 organizers—16 by retirement, 25 by outright dismissal, and others by transfers—to save \$1-million a year.

Most of the shifts were to a speakers bureau to be set up as part of a new public relations program planned to resell "disillusioned" workers and the public.

Council members commented that "organizing will go on, regardless, through the staffs of internationals." And, some added privately, any outbreak of raiding tactics by the Teamsters "will reverse this whole picture, and quickly."

• **Quiet on Bills**—The council extended its go-slow approach to the Taft-Hartley program now before Congress, designed by the Eisenhower Administration to put federal checkreins on union operations. Avoiding its usual point-by-point position on labor laws, the council decided to hold off and hope for the best—in its opinion, the best would be no legislation at all.

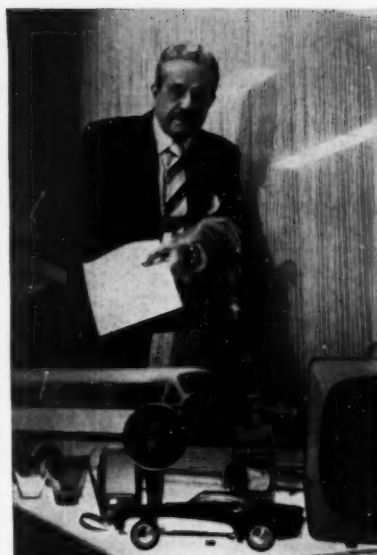
Federation leaders resent what they consider to be proposals that "invade" union internal affairs—the proposed mandatory secret ballot in elections, for instance—but they intend to sit tight, in 1958, unless there is more of a threat of actual passage of such legislation than they see now. According to labor's political advisers, the outlook now is for little or nothing to be done.

• **Bargaining Gloom**—Although collective bargaining wasn't on the council agenda, it was much in the minds of those gathered in Miami Beach. They bemoaned the negotiating outlook. Some in depressed industries talked of efforts just to "keep abreast of the rising cost of living," others of merely matching deferred 7¢ to 11¢ gains slated for other unions under long-term pacts.

Most were intrigued by Reuther's profit-sharing proposal in the auto industry, but not won over to it. Very few seemed to give it much chance in spring auto negotiations.

Meany gave it a cautious endorsement. Although labor has "always been suspicious of profit-sharing plans where they come from employers," he said he felt confident the auto union would make sure in collective bargaining that "evils of past systems" wouldn't be carried over into auto contracts. There would be "angles which would have to be handled very, very carefully," he said, but they "certainly can be worked out."

Reuther was satisfied. Others in the council were just as pleased with Meany's reticence about what they deem to be a costly innovation brought up at a time when the auto industry is having selling troubles. **END**



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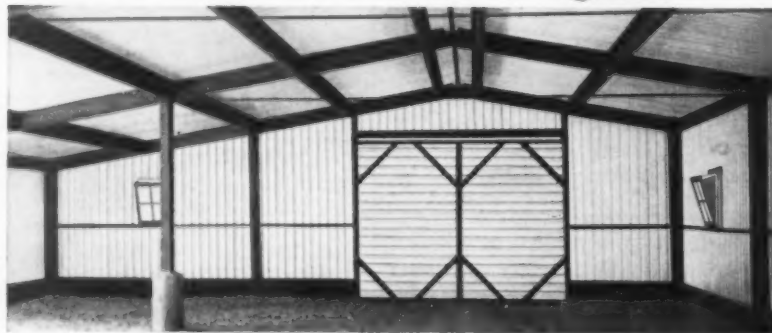


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The walkout at Lasalle's—Toledo outlet of R. H. Macy & Co. and the city's largest department store—illustrates the difficulties faced by any union in the service field that tries to conduct a major strike without the full support of the Teamsters.

The walkout began in November, in the wake of a victorious one-day strike at Tiedtke's, another of the city's major department stores. Since then, Lasalle's has been picketed by about 320 of its former employees, members of the Retail Clerks International Assn. The strike followed a breakdown in bargaining over department store contracts.

• **Teamsters' Support**—The Teamsters union was not involved directly in the negotiations, since it had settled its contract with the department stores last August. But its influence in the Lasalle strike was evident from the start.

After months of futile negotiations with Toledo's Retail Associates, Inc.—representing the stores—a joint bargaining committee of all 10 unions with department store contracts was set up at a meeting in the Teamsters' Toledo headquarters. The formidable alliance of Building Service Employees, Electricians, Painters, Carpenters, Hotel & Restaurant Employees, Operating Engineers, Meat Cutters, and Bakery & Confectionery Workers plus two Retail Clerks locals was pledged full support by Lawrence N. Steinberg, Toledo Teamsters chief and ally of Hoffa.

In mid-November, the joint committee decided to strike Tiedtke's first. The day after the strike began, Steinberg sat down with store officials and helped to work out a 19½¢-22¢ package settlement, including a 40-hour work week by summer and a maintenance-of-membership clause. The agreement also resulted in Tiedtke's splitting away from Retail Associates.

• **At Lasalle**—Flushed with success, the committee a week later struck Lasalle's, admittedly the toughest member of the store association. At the outset, all 10 members of the committee plus the Teamsters observed the picket lines thrown around the store.

Meanwhile, the store group petitioned the National Labor Relations Board for a representative election. The stores claimed that, with the withdrawal of heavily unionized Tiedtke's, the Retail Clerks no longer represented a majority. So far, NLRB hasn't an-

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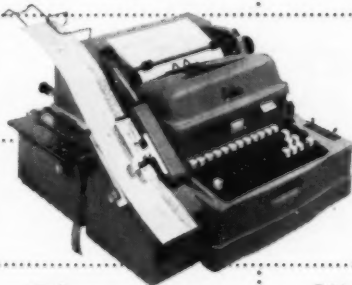
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... "UAW takes lead in
mustering community sup-
port for strike... Teamsters
cross picket line..."

STORY starts on p. 86

nounced its decision on the petition.
• **Crisis**—The strike rolled along the first two weeks in December. The only progress was a "gentleman's agreement" limiting picketing to 12 pickets at each door. Then, on Dec. 15, the roof fell in on the Retail Clerks.

At a meeting in Teamsters' headquarters, the majority of the committee—chaired by a Steinberg-appointed Central Labor Union official—voted to go back to work at Lasalle's. William F. Sturm, head of the Retail Clerks and former AFL regional director in Toledo, walked out, charging that the Clerks had been "sold down the river." The decision meant that the all-important Teamsters would not respect the picket line.

The store refused to take the strikers back en masse, claiming they had been replaced with permanent employees. It did agree to reinstate those for which openings were available, and the others as openings occurred.

The unions held that it was vital that the strikers get back on their jobs so that they could vote if NLRB ordered a representation election. The store contended that it could not take them back and that it could no longer negotiate until the election was held.

Irrked by the position of the other unions, whose members were crossing the picket line, and angered by what he considered lack of financial support for the strikers from RCIA, Sturm resigned as secretary-treasurer of the Retail Clerks Toledo Council.

• **Plea for Peace**—The Clerks appealed to Richard I. Gosser, United Auto Workers' vice-president and head of the CIO council in Toledo, to try to work an agreement with the store management. Gosser was assisted by a special panel appointed by the city's Labor-Management-Citizens Committee. Meanwhile, RCIA top officers were called in to help. UAW has since taken the lead in mustering community and union support of the strike.

Lasalle's has filed an unfair labor charge against the Retail Clerks, charging that the union is stalling off an NLRB election by its refusal to file financial statements with NLRB or to sign non-Communist affidavits.

There are no negotiations going on now, no developments indicating any quick solution to the problem. And, the Retail Clerks still picketing daily apparently are out of jobs unless the store agrees to rehire them. **END**



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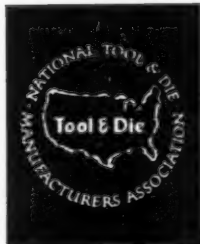
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In Labor

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Canadian Railroads Face a Strike To Settle "Superfluous" Firemen Issue

Canada faces the possibility of a nationwide railway strike, the second in just over a year. At issue is whether firemen are necessary on Canadian Pacific Ry. freight and yard diesels.

A Royal Commission, appointed a year ago to look into the question, has decided unanimously that the firemen are superfluous. The decision may bolster U.S. railroads' attempts to get rid of firemen on yard and freight diesels. Railway proposals to do so were withdrawn during 1956 negotiations.

The issue came to a head in January, 1957, when the Brotherhood of Locomotive Firemen & Enginemen struck the CPR for nine days. The road says it will accept the recommendations of the commission. The union says only that it will consider the report. But a showdown strike on both the Dominion's major railroads, whose contracts expire May 31, becomes a possibility with the Canadian National Ry.' notice to the union that it will limit firemen on its freight and yard engines.

• • •

Dubinsky Sides With Eisenhower On Federal Scrutiny of Unions

David Dubinsky, president of the International Ladies' Garment Workers' Union and an AFL-CIO vice-president, last week endorsed Pres. Eisenhower's call for a special federal agency to investigate union abuses.

In a break with labor's high command, Dubinsky said, "the way the plan is envisaged by Pres. Eisenhower and Labor Secy. Mitchell satisfies me."

AFL-CIO Pres. George Meany has expressed fear that the Eisenhower "watchdog" plan could lead to the eventual licensing of labor organizations by the state.

In vigorous dissent, Dubinsky predicted that labor ultimately would accept the desirability of government investigative machinery, just as it now favors laws governing welfare funds.

• • •

Teamsters' Organizing Drive Nets 3,500 Dairy Farmers

The first large-scale organizing drive by the Teamsters' since its expulsion from AFL-CIO is now under way among Eastern Seaboard milk producers.

The Teamsters last week issued a local union charter to 3,500 dairy farmers in Northeastern Pennsylvania, foreshadowing Teamsters' plans for a nationwide organizational effort.

Truck union officials say that the group is the first segment of more than 35,000 farmers in Pennsylvania,

New Jersey, and New York that they expect to bring into their 1.4-million member union.

According to Charles Cartwright, spokesman for the new Teamsters local, the milk farmers sought affiliation with the truckers to "get bargaining muscle" with milk companies. Milk haulers, driver-salesmen and inside plant workers in many areas already are union members.

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President Names Fact-Finding Board In Eastern Air Lines Dispute

Presidential intervention last week barred a strike by Eastern Air Lines' 550 flight engineers for 60 days.

The President, acting under the Railway Labor Act and at the behest of the National Mediation Board, appointed a three-man fact-finding board to look into a dispute between EAL and the Flight Engineers International Assn. Fact-finders—David L. Cole, former director of the Federal Mediation & Conciliation Service; Saul Wallen, Boston mediator; and Dudley E. Whiting, Detroit attorney—have 30 days to report back to the White House. Under the law, a strike may not be ordered until 30 days after the report is made.

The President also announced that he would appoint a similar board in the EAL-Air Lines Pilots Assn. dispute. The two unions—and some carriers—reportedly are bitter over the President's intervention.

The engineers and pilots are feuding over which should represent the third man in jet airliner cockpits (BW—Jan. 25'58, p62). An EAL spokesman says the company will have a Civil Aeronautics Board decision ultimately, so there's no point now in writing contract specifications.

• • •

High Court Upholds UMW's Rights In Elections, Despite T-H Holdout

United Mine Workers chief John L. Lewis won a victory this week when the Supreme Court held unanimously that a union that had not complied with the Taft-Hartley Act might nevertheless, under some circumstances, take part in a representation election called by NLRB.

The independent UMW has refused to comply with T-H requirements calling for filing of certain reports and non-Communist affidavits.

An NLRB decision canceled a contract between Bowman Transportation, Inc., charging that the company illegally helped UMW District 50 to defeat efforts of a Teamsters local to organize its workers. The board ordered the company to withhold recognition of District 50 until it had been certified as the representative of the employees. The order was tantamount to "disestablishment" of UMW since non-complying unions can't appear on the ballot in NLRB elections.

Justice William Brennan said NLRB's order was an abuse of the board's discretion. Brennan ruled the board should either conduct an election itself—and "merely certify the results"—or arrange for some other agency to hold an election under conditions prescribed by the board, to assure employees a free choice.

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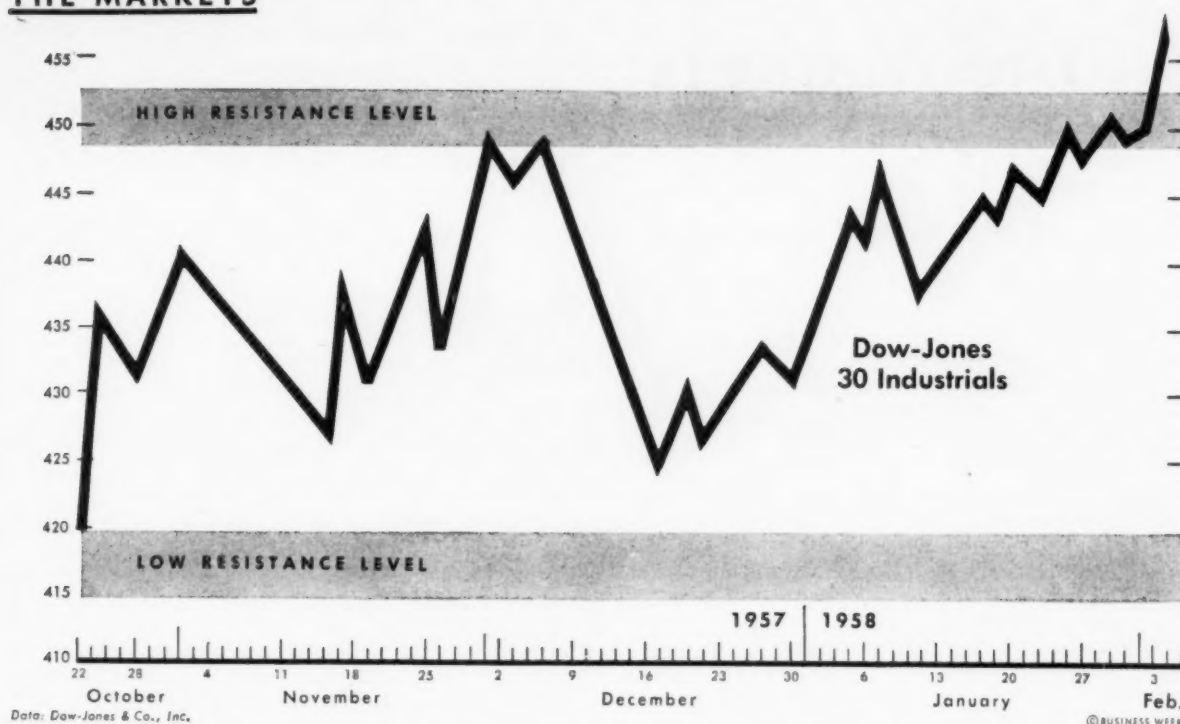
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THE MARKETS



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Battering Against the Ceiling

Rally pushes stock averages through the resistance zone under impact of satellite launching. But few professionals think it heralds a bull market for now.

The stock market, spurred by the success of Explorer, tried to shoot through its own ceiling this week. On Monday, the Dow-Jones industrial stock price index soared to 453.98, penetrating the 449-453 resistance area that had remained invulnerable for the past four months. Some 642 issues rose, with strength displayed in almost every stock group. Tuesday saw more of the same, before the buying abated.

But few Wall Street professionals expect the market to continue its climb. As they see it, the base for a potential bull market has not yet been laid.

• **Satellite**—The fact is that the successful launching of the satellite—and Washington's firm conviction that the second half will see an upturn—did give the market a momentary lift—but little more than that. Most analysts feel that investor confidence is still uncertain and that stock prices are destined to fall.

Since mid-October, when the selling climax was followed by a post-climactic buying wave, the market averages until this week have not staged more than a 30% recovery, which is regarded as minimal. They tested the 450-ceiling six times. Each try, until this week, failed.

One technical reason for professional skepticism is that there seems to be an abundance of stock available in the 450-460 range. Investors, who have been locked into the market at these levels since early fall, stand ready to take advantage of each advance. They start selling as soon as the averages reach a high point, which drives the market down again.

At the same time, there seems to be real buying strength when the market drops. Each time the averages have plunged down, bargain hunters have appeared in force. This has prevented a penetration of the current floor.

• **Prospects**—Analysts also cite non-technical reasons for expecting a decline. They think that the market has generally discounted 1957's poor fourth-quarter earnings. But they doubt that first-quarter earnings have been discounted by investors. Moreover, they feel that if the recession worsens, the market will suffer further.

For example, Nicholas Molodovsky of White, Weld & Co. predicts a drastic decline in stock prices when first-quarter earnings are reported. As he sees it, "People just don't seem to realize just how deep this recession is."

Much the same view is held by Anthony Gaubis of Anthony Gaubis & Co., who feels that the market will plunge through its present 419 floor.

To these professionals, the lifts that come through psychological shots-in-the-arm, such as the satellite launching or the Federal Reserve's easing of credit, are temporary flurries that do not upset the basic downward drift.

Some analysts take a more hopeful view. They are cheered by the market's evident stability since the beginning of the year—in the face of poor fourth-quarter earnings reports, dividend casualties, and general economic trouble. In particular, they cite the stability of the market in the past few weeks, when the Dow-Jones industrials remained in a narrow range between 442 and 450.

• **Modest Hopes**—But even the optimists are not speaking in terms of a bull market. They merely feel that the current rally, although sparked by the satellite, may continue if there is no real deterioration in the economy. According to Stanley A. Nabi of Joseph Faroll & Co., "an extension of the rally is likely," but "significantly higher levels" are not probable.

So despite the upturn, the majority sticks to the view that before the year is out, the averages will penetrate the current floor more sharply than they pierce the present ceiling. **END**

In the Markets

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Stabilization of Interest Structure

May Follow Adjustments in Short-Term Rates

Short-term interest rates this week fell sharply, reflecting a huge rise in the supply of funds available for investment. But the money market seemed to feel that the drop will help bring some stability to interest rates.

The key indicator of short-term money rates, the 91-day Treasury bill rate, led the way with a drop from 2.2% to 1.58%, the lowest level in over two and a half years. Dealers felt that the sharpness of the decline was mostly due to the fact that many holders of maturing Treasury securities are investing in bills rather than accepting the exchange offering announced last week by the Treasury (BW—Feb. 1 '58, p112).

Other short-term rates were promptly adjusted:

- Bankers' acceptance rates were marked down by one-quarter of 1%, the fifth reduction this year.

- Commercial paper dealers cut their rates by three-eighths of 1%. This, too, marked the fifth round of cuts, which have shaved the rate by 1%. Moreover, this week's cut was the largest single reduction in over 25 years.

- The major sales finance companies cut their paper rates by one-half of 1%, their biggest cut ever, and the fourth this year.

These rates are likely to hold firm, according to market men, even after the Treasury refunding is over. But they put the commercial banks, which cut their prime rate from 4½% to 4% only two weeks ago, under pressure. For prime borrowers who can raise funds in the commercial paper market now have to pay only 2½% for four-to-six month paper.

The adjustments made in the short-term rate go a long way towards reestablishing the yield curve that had been flattened by the Federal Reserve's tight money policy. Now short-term rates are generally well below long-term rates, although interest costs have already turned decisively down.

Most money experts feel that the Federal Reserve will soon take further steps to ease money. They expect the discount rate to be cut from its present 2½% as soon as the Treasury bill rate stabilizes. And they expect that reserve requirements will be reduced, probably prior to the Treasury's next financing operation.

These moves will mean further pressure on interest rates, both short-term and long-term. But most dealers feel that the major shifts have now been made.

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This Year's Supply of Lendable Funds

Will More Than Exceed Borrowers' Demands

The capital market will not see a repeat of the severe strains it went through last year, because in 1958 the supply of long-term capital will be slightly larger than

the demand, according to Girard L. Spencer of Salomon Bros. & Hutzler.

Each year, Spencer brings together a group of investment experts to provide estimates on the demand and supply of investment funds. Last year, the group correctly predicted that demand would outrun supply, but saw the gap closing.

Now, supply of long-term funds for corporate, state, and local borrowing is estimated at \$21.9-billion this year, while demand will be at \$21.4-billion. Financing activities of the U. S. Treasury are not included in these estimates, and on this score, Spencer notes that its operations will probably "play a larger role in the capital markets in 1958."

With a surplus of investment funds in prospect, lower interest rates will prevail. Even if the economy manages to stabilize or turn up by midyear, easier credit should still be available. As Spencer puts it, "There is usually a lag in the effect that changes in the economy have on the securities' market, as well as to a certain extent on current Federal Reserve monetary policy."

But Spencer does not believe that the rate of decline in interest rates, which started last November when the Fed switched policy, will be maintained. Instead, he feels that interest rates will work lower much more gradually. And although they may stabilize sometime in the year, he does not look for a significant advance.

The biggest investors in private and public issues will be life insurance companies, with \$4.6-billion available, and savings and loan associations, with \$4.9-billion.

Other sources of lendable funds include \$4.4-billion in state and private pension funds, \$1.8-billion from mutual savings banks, \$1-billion from fire and casualty insurance companies, with \$5.2-billion from miscellaneous sources.

Demand for long-term funds will be heaviest in the mortgage field, which will need a net of \$10.2-billion for residential, farm, and commercial construction. State and local borrowings are estimated at \$3.4-billion, while corporate financing is put at \$7.8-billion.

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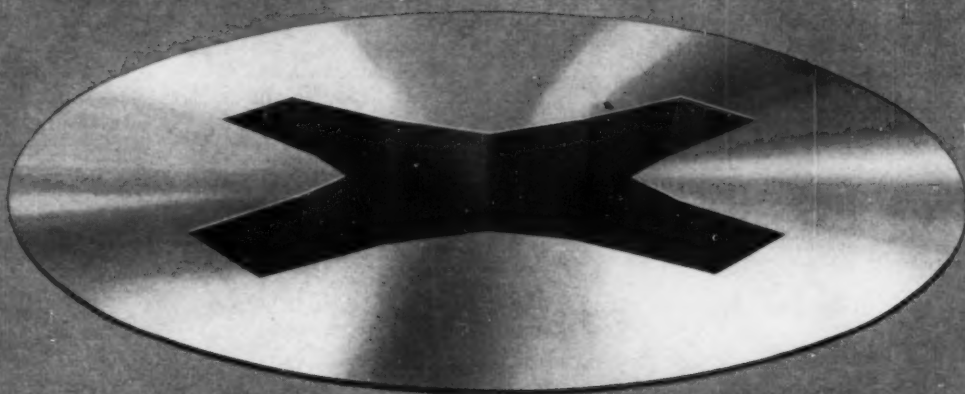
The Markets Briefs

January, the first month that registered an upturn in stock averages since last November, saw a good many stock groups register handsome advances. According to Harold Clayton of Hemphill, Noyes & Co., cement stocks, with a 19.37% rise for the month, just nosed out airline stocks, which chalked up a 19.30% gain.

Most money authorities have interpreted the San Francisco Federal Reserve's failure to reduce its 3% discount rate in line with other regional Fed banks as a sign that its directors feel inflation is still a threat. But some experts are predicting that when San Francisco does move it will drop to 2½%, which will force the other Fed banks to follow.

Moody's Stock Survey warns of more dividend cuts as the result of poor earnings, but adds that "the damage will be chiefly among cyclical and marginal stocks whose prices have considerably discounted that prospect."

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In Washington

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Natural Gas Price Hikes, Airlines' Feud, And Perfume Importers Get High Court's Ear

The U.S. Supreme Court acted this week on a hurry-up request from Solicitor General J. Lee Rankin to review a controversy over natural gas rate increases.

The case involves a ruling last November by a Washington (D.C.) Court of Appeals in the so-called Memphis case that a natural gas pipeline company cannot file an increased rate schedule with the Federal Power Commission unless it has the approval of all customers affected by the increases (BW—Nov. 30 '57, p98).

FPC is side-stepping the lower court ruling until the high court decides the dispute—probably not until late spring. Under current practices, pipelines file new rate schedules with FPC and begin collecting the higher rates six months later, subject to refund if FPC refuses to approve the increase. This system will be banned if the Supreme Court approves the Memphis rule.

In other cases this week, the Supreme Court took these actions:

- Upheld, without writing any opinion, a ruling by the Civil Aeronautics Board requiring North American Airlines, Inc. (a non-scheduled airline) to stop using the name "American" in any way in its corporate name because it causes unfair confusion with American Airlines, Inc. (a scheduled airline).

- Agreed to review the antitrust conviction of Guerlain, Inc., U.S. importer of French perfumes. Guerlain was found guilty of improper use of tariff provisions to exclude importation of trade-marked Guerlain products made in France—thus giving it an illegal monopoly on importation and resale of these products in the U.S.

Guerlain is challenging the conviction on grounds that (1) it may legally use the tariff provisions as it did, and (2) the relevant market involved is all perfumes in the same price range, not, as the trial court held, just Guerlain's own trade-marked perfumes. Two other importers—Parfums Corday, Inc., and Lanvin Parfums, Inc.—are also appealing convictions on similar antitrust charges brought by the Justice Dept.

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Scientists Plug for Heavier Spending To Overcome Lag in Basic Research

Congress' Joint Committee on Atomic Energy began to build a case this week for stepped-up federal spending in basic research.

The Joint Subcommittee on Research & Development, which is conducting a two-week hearing during which 50 top scientists will testify, this week heard two eminent witnesses call for a 50% to 100% increase over current spending.

Glenn T. Seaborg, University of California chemist who has made important discoveries in the field of

atomic energy, recalled that such "practical" hardware as X-ray machines and atomic bombs grew out of basic research. He pointed out that the government, universities, and industry spend only \$250-million per year for all fields of basic research. Of this, the Atomic Energy Commission accounts for \$70-million.

Dr. Frederick Seitz, University of Illinois metallurgist, backed up Seaborg. Since both industry and the universities often must justify expenditures on "practical" grounds, Seitz said that it is obvious that the federal government must bear the brunt of the load.

Nobel-prize winner Isador I. Rabi of Columbia University believes that the U.S. leads the world in basic research, but that we are in serious danger of losing the race to the Soviets unless something is done to promote more scientific education and research.

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Auto Industry Answers Reuther's Charges, Calls Union's Wage Demands "Inflationary"

Spokesmen for the automobile industry spent the week challenging and answering charges made last week by United Auto Workers chief Walter P. Reuther before the Senate Antitrust & Monopoly Subcommittee.

Following the example of General Motors' Harlow H. Curtice last week, the industry spokesmen are denouncing Reuther's collective bargaining demands for 1958 and putting the major blame for inflationary pressures on excessive wage demands by organized labor.

Speaking for Ford Motor Co., Theodore O. Yntema, vice-president for finance, said that Reuther is a "powerful labor leader and a most influential politician . . . but not a very good economist." On Reuther's charge that car prices are rigged, Yntema declared, "The only price I know of in the automobile industry that might be called 'rigged' is the price of labor. . . ."

Like Curtice, Yntema said that Ford prices have not kept up with cost increases. Ford wholesale prices on its largest-selling four-door sedan rose 32.8% from 1948 through 1957, he said, while costs increased as follows: labor rates up 66.8%; steel up 80.7%; metalworking machinery and equipment up 69.9%; and components for durable goods manufacturing up 46.4%.

On Reuther's charges that auto industry profits are "fantastic," Yntema said that an appraisal of company profits on the basis of book value of their stock shows only GM making "adequate profits in relation to the risks incurred to qualify as a successful, going concern."

On Reuther's suggested \$100 per car price cut, Yntema said if approved, such a step would "wipe out two companies and weaken Chrysler and Ford."

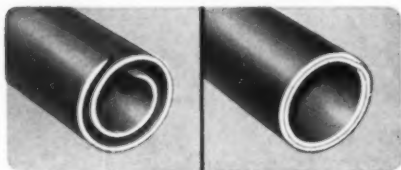
The industry spokesmen, including L. L. Colbert of Chrysler and George Romney of American Motors, all agreed that Reuther's claim that his 1958 contract proposals are not inflationary is "nonsense." Ford's Yntema, for example, estimated that Reuther's self-styled "basic minimum economic demands" alone amount to 40¢ per hour, "about 12% of our hourly rates."

All the industry spokesmen, in reply to questions from the subcommittee, have denounced both Reuther's profit-sharing proposal and his suggestion that a federal fact-finding agency pass judgment on price increases by big companies.

Two Caterpillar No. 583 Pipelayers swing 30-inch steel pipeline over the ditch near Merritt, B.C., Canada. Cat[®] is known internationally as a synonym for strength and reliability. So Caterpillar Tractor Co., Peoria, Ill., helps insure the reputation of its heavy-duty equipment with vital fuel, oil and hydraulic lines of Bundyweld Tubing—world-famous for dependability.



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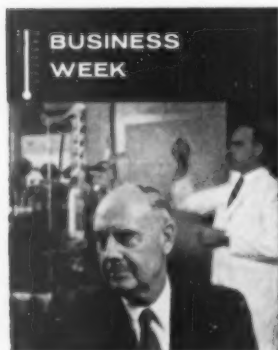
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PERSONAL BUSINESS

BUSINESS WEEK

FEB. 8, 1958



Mention the words "oil deal" at a businessmen's luncheon and you can almost see the ears stand at attention.

Chances are that sometime you'll be approached on going into a wildcat oil venture. When you are, be sure that your decision is based on a hard-headed appraisal, not on the fact that such a deal looks like an oasis in the tax desert. You may find a windfall—with the aid of good judgment and expert advice. But it takes a world of informed planning.

Here are three cautions to keep in mind: (1) The risk in hitting a wildcat well is in the same class as playing roulette or rolling dice; (2) those glamorous "tax advantages" may not materialize; and (3) amateurs who put their money into wildcatting seldom get rich.

First, take a look at the odds. They are about 9-to-1 against your hitting with a wildcat well (drilling in an area that has no proven oil production); 42-to-1 against coming up with a 1-million-bbl. strike (about the smallest for attractive economic production); and 427-to-1 against hitting a 25-million-bbl. field.

Some of these risks can be reduced by pooling among friends and spreading the gamble over a number of wells. If you are in a high income tax bracket, it's obvious that Uncle Sam is really putting up a major part of your stake if you use current income. Even with these assists, it's a chancy proposition.

For example, suppose you agree to put up \$100,000 to drill a wildcat. The agreement provides that if oil is produced, the landowner gets one-eighth royalty, and a one-eighth overriding royalty goes to the promoter. This leaves a working interest of 75% divided equally between you and the drilling contractor (who supplies the drilling rig and knowhow). After supplying 100% of the money, you wind up with only a 37½% interest in whatever oil is produced. (Of course, the example given is purely theoretical and there are many different financial arrangements that are made. You might get a better deal, perhaps a 40% interest, or possibly the promoters will put up part of the risk money.)

If your well is a dry hole you can deduct all "intangible" costs (non-recoverable outlays, like labor, drilling muds, chemicals, supplies). On the average, this might come to \$60,000—the other \$40,000 you wouldn't spend.

On the other hand, here's what happens to your \$100,000 taxwise, if your well comes in. If you have an average experience, \$60,000 still goes into "intangible costs" (to be written off as a business expense) and the \$40,000 is spent and capitalized.

The hitch is that if you have only a 50% share of the "working interest," you can deduct only \$30,000 of the intangible cost—the other \$30,000 is treated as the cost of your leasehold interest, and can be recovered only through depletion. (In most cases, only the most careful legal advice can keep you out of this sort of tax pitfall.)

What's more, even if the well produces, you may not get full advantage of the depletion allowance. The rule says you can deduct 27½% of your gross proceeds, for income tax purposes—provided this is not more than 50% of your net.

Say you're lucky and hit oil, and your gross for the first year is \$5,000. But it cost you \$3,500 to produce this income (a reasonable possibility)—leaving you a net of \$1,500. Your taxfree income is not \$1,375 (27½% of \$5,000), but only 50% of \$1,500—or \$750.

Or say you wind up the year with a net loss. Here you get "cost deple-

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

FEB. 8, 1958

tion" instead of the 27½% depletion. You have an estimate made of your oil reserves, and figure the percentage brought above ground during the year—say 2% which is reasonable in light of current allowed production set by each state. You can then deplete 2% of your leasehold cost—in this case, 2% of \$30,000, or \$600.

If you find a new oil field, you might get a slight break. Texas, for example, permits new wells to produce more days during the first 18 months, and this could temporarily increase your annual production (and thus your cost depletion) from 2% to 3% or 4%.

On top of all this, two special factors can become dangerous if not provided for before you sign a contract: (1) insurance to cover operational hazards—underground explosions, for example; and (2) the often complicated criss-cross of the legal title to land and leasehold interests.

A sensible alternative to investment in operations is royalty ownership. Here you buy a fractional interest in oil rights leased by a landowner, and upon development of the field, receive a fractional share of the production. Since you're in the position of landowner, or leaseholder now, you lose the deduction of "intangible" production costs (which can be a snare). On the other hand, you retain advantage of the 27½% depletion allowance and have no operational worries.

Or you can buy fractional leasehold interests in proven oil fields. Banks with oil investment departments often are up on these deals, though much of the trade is handled on a personal basis. In any case, be skeptical about land surveys that show "proven" oil reserves. Hire a geologist to make an independent report.

—●—

If St. Valentine's Day has you thinking in terms of mink or diamonds, here's the dollar side: Ranch mink prices have increased about 25% in the past year, and furriers are divided over an expected decrease later in the year. Meanwhile, you can make a hit with a "little" mink shoulder wrap. Gunther-Jaeckel of New York, for example, has them for \$500 to \$850 plus 10% tax.

The price is up on finer grades of blue-white diamonds—about 10% over a year ago, and another 5% to 10% hike is the forecast for 1958. A stone alone (1¼ to 2 carats) will set you back from \$1,500 to \$2,000. A 1¾-carat heart-shaped Valentine solitaire in a platinum setting at Elack Starr & Gorham, New York, is \$3,300, including tax.

—●—

Taxpayers who use the alternative method of computing their long-term capital gains will get a break under a new IRS ruling. The ceiling has been raised for the amount of "dividends received credit," which is 4% of dividends received. New ceiling includes 50% of long-term capital gains, providing a broader taxable income base from which 4% may be deducted.

—●—

Potpourri: Good Havana cigars will soon be harder to come by because of blight and hurricane damage to 75% of Cuba's wrapper tobacco crop . . . A recording of Barber-Menotti's "Vanessa"—which may become the first American opera to go into the Met's regular repertoire—will be available in the fall (RCA Victor, \$9.98) . . . Irish Airlines will inaugurate passenger service between New York and Shannon in April. Nonstop flying time: 10½ hours; first-class fares, about \$731 round trip, \$406 one way.



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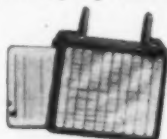
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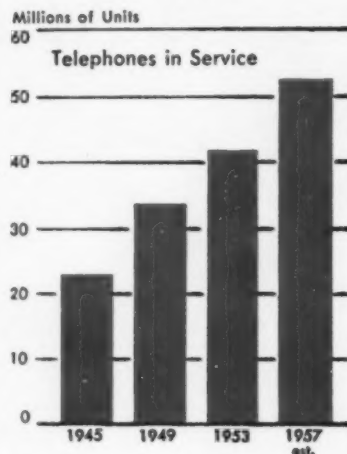
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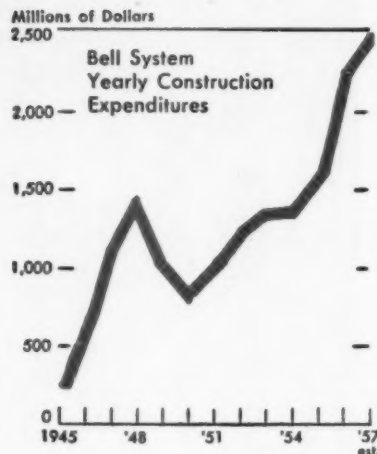
FINANCE

The Picture Behind AT&T's New

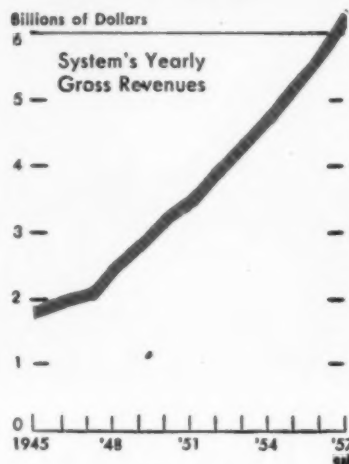
The clamor for telephone service...



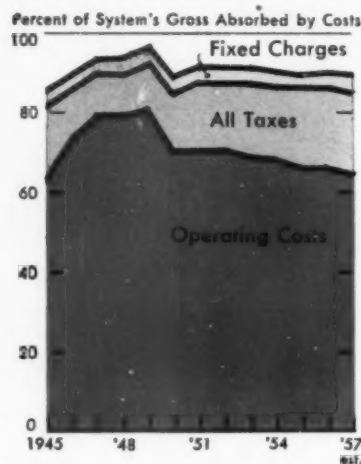
...Has touched off huge spending...



But revenues have been soaring...



...And costs held under control...



Bell System Ignores

WALL STREET'S underwriters generally expect a slowing up this year in the corporate new issues market, which maintained a near-record pace in 1957. But, to a man, they except one corporate giant from the decline in borrowing: That's the Bell System, whose gigantic appetite for new money is as keen as ever, for reasons that the charts make clear.

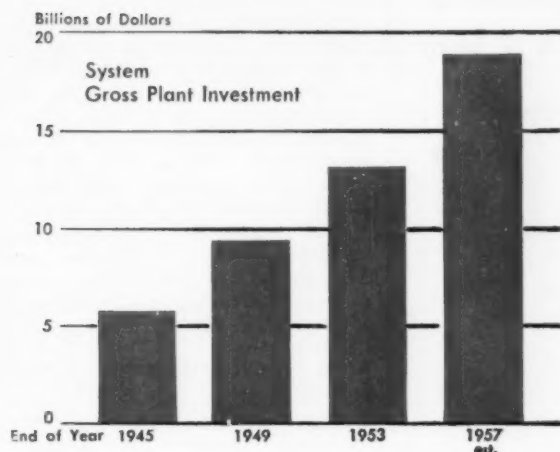
It takes no analytical clairvoyant to predict heavy borrowing by the system. American Telephone & Telegraph Co., whose position as corporate apex of the huge communications network is vis-

ible in its trade nickname of Mother Bell, is already engaged in the largest piece of corporate financing on record. AT&T is offering its stockholders \$718-million in 15-year 4½% convertible debentures (BW-Jan. 25 '58, p100). And it's pretty certain that other units in the system will do some heavy new financing during 1958.

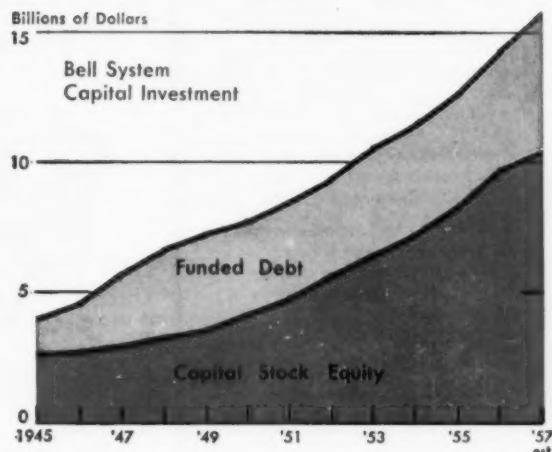
• **More to Come**—As a matter of fact, the Bell System's postwar expansion plans are far from complete, despite the \$16-billion already spent. Top planners in the system believe that they will have to continue construction for

Record-Breaking Bond Offering

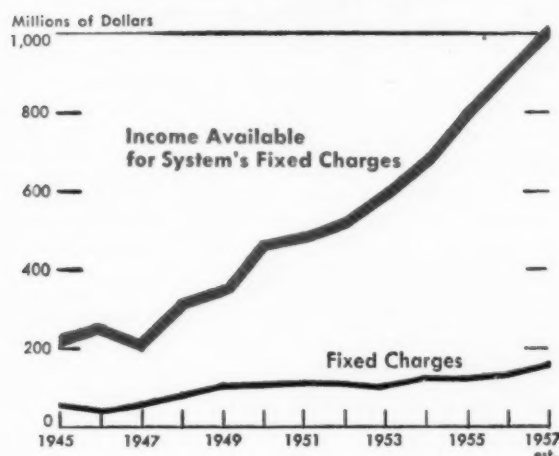
...On new plant facilities...



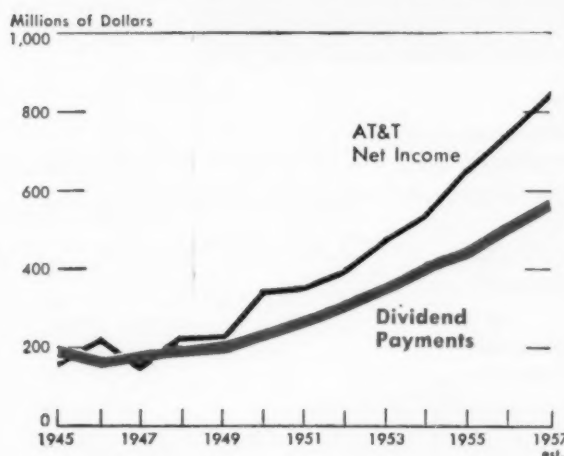
...And generated gigantic new capital demands



...So earnings have risen faster than fixed charges...



...And faster than AT&T's own \$9-per-share dividend needs



Expected Lag in Borrowing Pace

some years at a rate that will gulp down new capital at an annual rate of at least \$1-billion, and maybe \$1.5-billion. That compares with 1957 when the entire system sold \$1,150-million of new securities, mostly debt issues, and 1956 when sales were \$1,350-million, of which 60% was in AT&T stock.

This intense and continuing need for new capital arises directly from the passionate yen of the American people for more telephone service. The growth of the population is matched by the growth of the individual's yearning to

do a spot more dialing. Take a look at these 1945-1957 growth figures for the system:

Telephones in service have more than doubled; 52.2-million now compared with 22.4-million at the end of the war.

Central offices—the heart of any telephone system—have jumped to 10,000 from 7,374.

Investment in plant, before depreciation, exceeds \$18-billion, more than triple the \$5.7-billion of 1945.

The Bell System has tried to pay for as much as possible of this expansion out of accumulated depreciation allow-

ances and retained earnings. In the 12-year stretch it has used \$5-billion in depreciation allowances and \$1.2-billion in earnings for expansion purposes.

Still, even these hefty sums have fallen far short of the system's need for dollars, and the gap has been increasing. Just since 1950, something like \$10-billion has been spent on construction. For the entire postwar period, the system has tapped its stockholders and the open market for nearly \$12.5-billion in new money.

• **Mostly via Debt**—All of this financing has been through debt issues, with

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the single exception of AT&T's \$571-million sale of stock in 1956. Yet despite this heavy leaning on bonds, the system's capital structure is still a long way from being debt-ridden.

For one thing, many of the bond issues have been in the form of debentures convertible into AT&T stock at attractive prices; as the company hoped, conversions have been on a large scale.

Consequently, the system has a capitalization ratio more favorable than most utilities. As of Sept. 30, its funded debt was only 34% of total capitalization; even including the \$718-million new debentures being sold to stockholders, the ratio was only 38%.

The system's smart financial management is evidenced in other ways. Thus the ratio of fixed interest charges to gross revenues has been shrinking for some years, despite the immense post-war borrowings.

• **On the Other Hand**—Even the Bell financial managers have some cutworms in their garden. The system's stress on convertible debentures, and the extent of the conversions, has inevitably brought a substantial increase in the money needed to maintain annual dividends—an increase to \$580-million now from \$178.4-million in 1945.

This increase worries some Streeters, precisely because the Bell System is not like other companies, which generally match the size of their dividends to the periodic rise and fall of their earnings. For Bell, there is no such flexibility. Ever since 1922 AT&T has paid \$9 a year on its shares, regardless of depressions and booms. Chances are that most of the 1.6-million stockholders have come to regard that \$9 dividend as part of an inviolable contract.

This self-imposed rigidity looks bad to some Streeters from various angles:

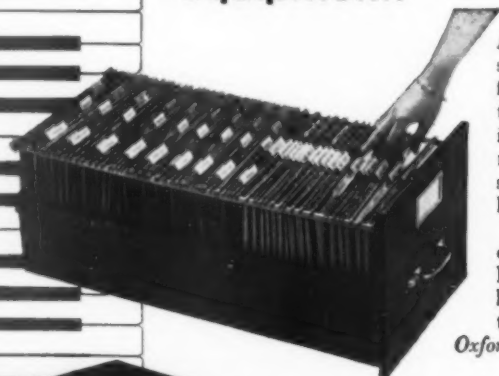
• Bell's past earnings, they point out, would never have been sufficient to pay 1958 dividends except in the past three years.

• AT&T, as one dissenter put it, "is not just a public utility . . . [but] . . . also an important merchandiser . . . not immune to cyclical vagaries. In any recession, revenues of the Bell System . . . [might easily] . . . drop faster than those of the average electric utility."

These forebodings are not reflected in the market. The new bonds are being traded on a "when issued" basis at about 127% of par, against an estimated straight investment value of 107. The mark-up, of course, is due to the fact that each \$100-par bond can be converted into a share of AT&T stock at an effective price of \$142, way below the going market price of \$172.

• **Still Going**—At the same time, the downtrend in business generally has not yet affected Bell operations. In the 12 months ended Nov. 30, gross revenues were 13.1% above the year-

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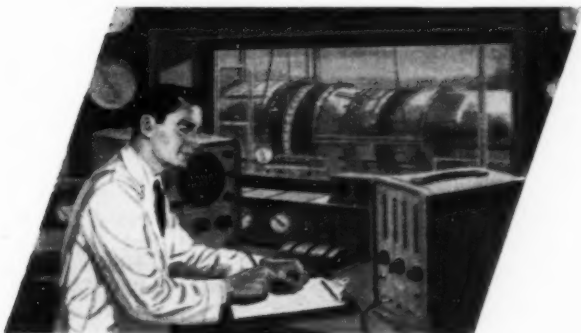
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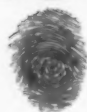
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before period, while net earnings were up 12.4%. What's more, per-share earnings on the stock outstanding at the end of November were \$12.91, compared with \$11.81 in the previous period. That means a dividend coverage ratio of 1.4 times, compared with 1.3 times earlier.

Wall St. Talks . . .

. . . about dividend casualties . . . Chemstrand's new pitch . . . auto price cuts . . . rumors and denials . . . whis-key chaser for a loan.

Dividend casualties in January were the highest for any month since August, 1949. One compiler figures that 15 companies skipped their dividends, compared with three in the year-before month, while 28 cut their payout as against an earlier nine. This year, only 57 dividends were raised, compared with 79, while 83 extras were paid against the year-before 99.

A public relations innovation is being tried by Chemstrand Corp., giant chemical fiber maker jointly owned by Monsanto Chemical and American Viscose. Chemstrand is sending a copy of its 1957 annual report to each stockholder of Monsanto and American, so that they can see how their "investment" is faring. Streeters say it has never been done before.

Cuts in factory list prices of cars may well be coming, for the first time since the war, according to some analysts. Autos are the one industry where it is more important to maintain volume than prices, this school of thought claims.

In the rumor corner, you can hear that: Mack Truck and Fruehauf Trailer are talking merger. . . . Lever Bros Co. will soon acquire Neptune Meter Co., a maker of meters, scales, and switches. . . . The New York Central will move its headquarters to Cleveland, "to cut down overhead."

Diverser and diverser: Haile Mimes, Inc., producer of tungsten and manganese, has acquired Karl Lieberknecht, Inc., a Reading (Pa.) maker of knitting machines.

One Streeter's opinion: "The business recovery everyone is looking for is going to be slower coming and of a slower tempo when it arrives than most now expect. Half the population



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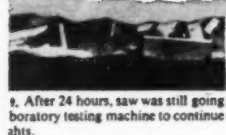
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"And to insure factory service for our customers, the name plate that is on every B. & D. product now carries a reference to the Yellow Pages."

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After 24 hours, saw was still going
boratory testing machine to continue
ghts.

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DECKER MFG. CO.**, Dept. R028, Tow-
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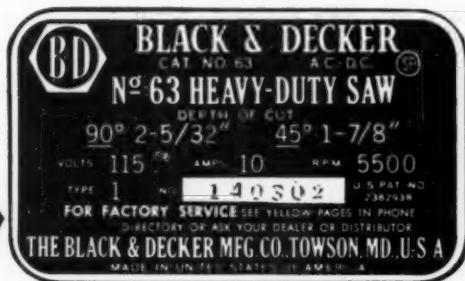
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DEALER NOW

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- Easier Handling
- More Power
- Proved Ruggedness
- Better Visibility

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THIS NAME PLATE with the reference to the Yellow Pages, helps guarantee greater customer satisfaction from Black & Decker electric tools.

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President—Knitting Mill

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President—Dyeing Company

"It's a good way to find out what other phases of the textile industry are doing."

President—Label Weaving Company



is priced out of the market for the things families normally buy."

Denials of rumors often don't mean much. When Texas Co. not long ago was reported ready to absorb Seaboard Oil—of whose stock it already owned 32%—a senior Seaboard official denied that it had "any merger deals in the works." Then last week Texas Co. announced it would offer its own shares, one-for-one, for Seaboard stock.

A whiskey chaser may be offered with the \$1-million offering of new 4½ secured notes that Chicago's Barton Distilling Co. is considering. Each \$1,000 note would be washed down with a warrant entitling the purchaser to buy 5 bbl. of Kentucky bourbon, made last year and now in bond.

FINANCE BRIEFS

Bank deposits rose last year. The 14,000 U. S. commercial banks ended 1957 with deposits of \$231-billion, a 12-month gain of \$2.6-billion. In the 523 mutual savings banks, deposits gained \$1.7-billion, to reach a \$32-billion total. However, the gain for the mutuals was 10% less than in 1956; withdrawals from regular accounts rose 5.7%, while deposits went up 1.7%.

Major offerings of preferred stock totaled 42 last year, compared with 59 in 1956, according to Eastman Dillon, Union Securities & Co. Of the 1957 offerings, 33 were negotiated deals, four were private placements, four exchange offers, while one was incidental to a stock reclassification.

The New Haven RR has laid off more than 700 employees, under pressure of a 14% drop in car loadings and a sharp decline in passenger traffic. The road said that earlier payroll economies were offset by \$5-million in wage increases that went into effect last November.

Hotel Corp. of America will pay the first dividend in eight years on its 5% cumulative preferred stock. The company believes its 1956 revenues of \$57.4-million and earnings of \$1.8-million were both topped in 1957.

The British Treasury bill rate dropped to 6½% late last week; the ½ of a point tumble was the steepest since the bank rate was raised to 7% last September. The drop was partly due to a flood of money into the London money market as foreign banks—reportedly including American institutions—were attracted by the high interest rates.



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Next time a freight train thunders by, be thankful that it's there! Without the ceaseless rumble of steel wheels on steel rails . . . feeding raw materials to our factories and finished products to our markets . . . America's lifeblood would soon stop flowing.


To help speed the tempo of these wheels and the growth of our national economy, American railroads have spent 12 billion dollars since World War II on equipment modernization.

Today, to take full advantage of all the time-saving improvements already made, our railroads

are equipping more and more freight cars with roller bearings which overcome a major remaining deterrent to faster freight: the recurring hotbox.

HYATT Hy-Roll Bearings on thousands of freight cars in all kinds of service are proving by daily performance that they can eliminate hotbox delays . . . reduce replacement, lubricating and inspection costs . . . and increase the earning power of cars. That's why every new car equipped with HYATT Hy-Rolls helps *all* railroads . . . and through them, helps *you*. Hyatt Bearings Division, General Motors Corporation, Harrison, New Jersey.



Another  contribution
to railroad
progress

OVER 4,000,000 CAR MILES WITHOUT A SINGLE HOTBOX

Since January, 1955, 25 ERIE
Piggy-Back Cars Have Totalled
More Than 4,000,000 Car Miles
On Hyatt Hy-Rolls Without A Bearing
Failure of Any Kind!



HYATT

HY-ROLL BEARINGS

FOR NON-STOP FREIGHT



U.S. Agrees to Bail Out India

● Washington will go to the rescue of India's foundering second Five-Year Plan with a \$225-million loan.

● Despite its doubts about present Indian policies, the Administration fears an economic crash would pave the way for Communism in the subcontinent.

● Even if the stripped-down version of the Five-Year Plan succeeds, though, there's still trouble ahead.

The Eisenhower Administration has decided to stake a sizable sum on helping India salvage its faltering Five-Year Plan—and, in the longer run, on the Indian government's ability to prevent a lurch into bankruptcy and then into Communism.

That's why an Indian government mission is in Washington this week. It's negotiating terms for a \$225-million loan to come, roughly in a 2-to-1 ratio, from the Export-Import Bank and Development Loan Fund. This loan may be used up within a year from the time the money starts flowing; the Administration admits already it will have to be supplemented heavily in the next couple of years.

Washington has few, if any, illusions about helping India financially. The State Dept. accepts India's neutral position between East and West as settled; it has no intention of bargaining for a policy switch as a quid-pro-quo. Nor does it intend to apply pressure for a change in India's internal economic tack, despite serious misgivings about India's socialist planning techniques and ambiguous attitudes toward private enterprise, both domestic and foreign. Finally, U.S. economic specialists are gloomy about India's chances to break out of the centuries-old pattern of subsistence living, technological backwardness, and overpopulation—even if it surmounts the present crisis and saves the so-called "core" of its second Five-Year Plan (BW—Oct.12'57,p89).

• **Worth the Risk**—But whatever the Administration's reservations, it is simply unwilling to risk an Indian economic catastrophe. Any such development, Washington fears, would open the door to Communism in India. And, since India is so strategic among the uncommitted nations, that would mean a rapid spread of Communism to the still independent countries of Asia, the Middle East, and Africa.

The Communist victory in the Indian state of Kerala demonstrates that the danger is real, despite the grip of tra-

dition and religion on the masses (BW—Dec.28'57,p68). There's another peril, too: The left wing of India's Congress Party might push the nation further toward Moscow if there were no other way to stave off economic disaster.

• **Red Tactics**—India's principal leaders, including Nehru, are determined to keep the nation independent and non-Communist. And they well realize that the Communist strategy is to egg the government on to overreach itself, in hopes of inducing a still more serious economic crisis. The Communists piously support the Congress Party's ill-conceived second Five-Year Plan, which is at the root of India's present difficulties. The plan exceeded India's domestic and foreign resources to begin with; crop failures, Suez, and inflation in prices of Indian imports have only aggravated the strains.

In 1956-57, the plan's first fiscal year, India's imports leaped almost 40% to \$2.2-billion while exports stayed the same. Of the \$600-million increase in the trade deficit, imports of capital goods—including machinery and vehicles, iron, steel, and other metals—accounted for some \$300-million. Weather forced a \$150-million boost in food imports. And the relatively liberal import policy permitted private business, perked up by heavy government spending, to boost its intake of consumer goods and materials for making consumer goods by \$150-million.

• **Dwindling Balances**—When the second plan went into operation, India had \$1.4-billion stashed away in London as sterling reserves—funds earned from the British during World War II, which constitute both exchange reserves and domestic cover for India's currency. As the trade gap grew during 1956-57, India drew down these sterling balances. Then, alarmed over the drain, India began clamping down increasingly on all but the most essential of capital goods imports. Coupled with disappointing harvests, this policy added to inflationary strains. As a counter-

measure, the government imposed tighter monetary and fiscal controls—at the cost of slowing the economy.

Despite the checks, India's sterling balances were falling toward \$500-million by the end of 1957. Meanwhile, the government reluctantly pruned the plan by cutting or postponing many industrial, mining, power and irrigation, transport, and communications projects.

• **Hard Core**—Now the second Five-Year Plan has been stripped to these essentials:

• Completion of three government-owned steel plants and expansion of three private mills—the Tata Iron & Steel Works (BW—Nov.23'57,p128), the Indian Iron & Steel Works, and the Mysore Iron & Steel Works. These programs are slated to quadruple Indian steel capacity from its present 1.1-million tons.

• Expansion and improvement of the congested and rundown railways and major port facilities.

• Expansion of coal production and power development needed for the steel program.

• Completion of certain power and irrigation projects already under construction.

• **Aid From Outside**—To carry out this austerity-model plan, Finance Minister T. T. Krishnamachari estimates India will need \$1.4-billion in foreign exchange from outside sources for the next three years. New Delhi can already pretty well count on:

• \$60-million from the Colombo Plan, sponsored by the British Commonwealth.

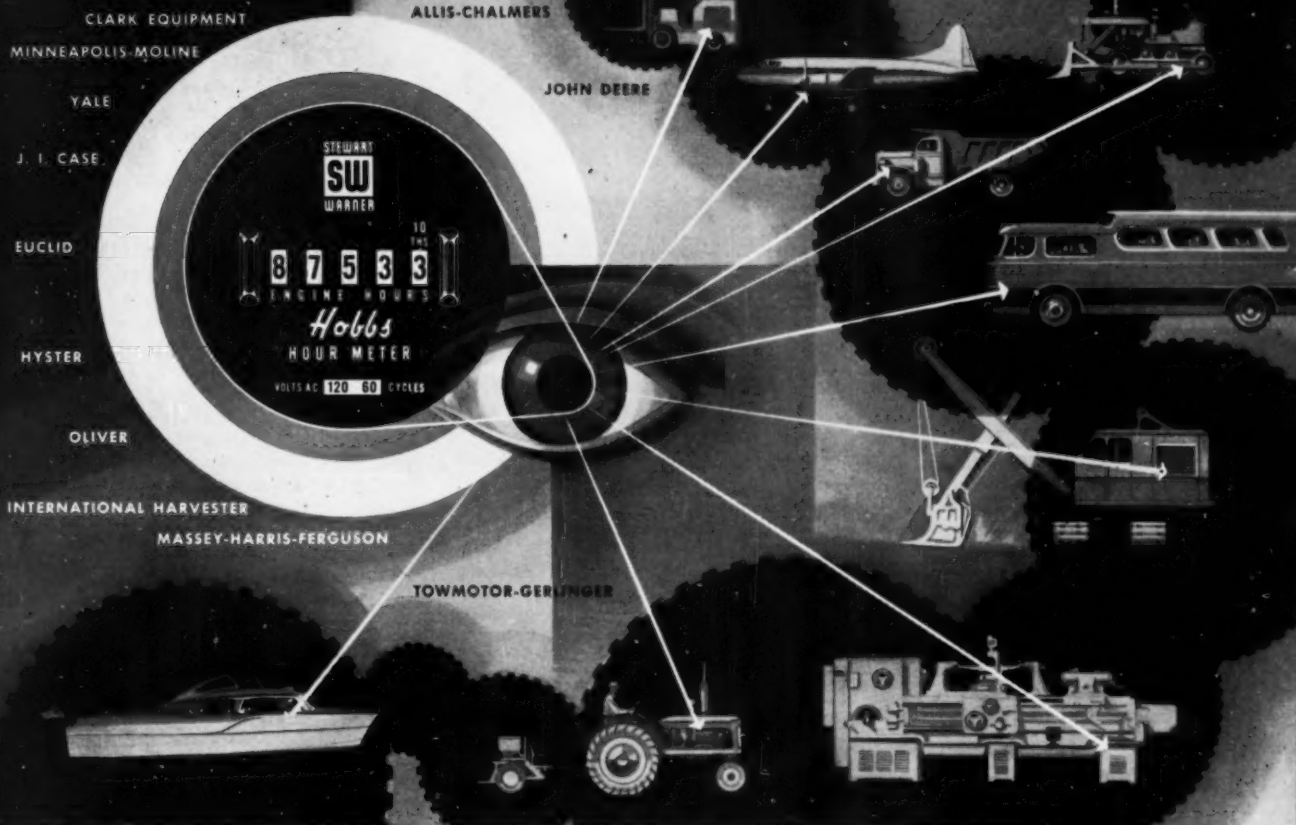
• An extra \$30-million or so from the Russians (not counting existing Russian loans for a steel mill and heavy machinery plant).

• \$150-million from the World Bank.

• More than \$200-million in loans and deferred credits from various sources in Germany, Japan, the U.S., and elsewhere.

Of the remaining \$950-million, the U.S. may put up one-half to two-thirds (including, besides Ex-Im and Development Loan Fund money, "normal" foreign aid under the mutual assistance programs, but not including surplus food the U.S. will send to prevent famine). If extra funds aren't forthcoming elsewhere, India can make up the difference by using most of its remaining sterling balances.

• **Where Then?**—It's still a mystery where India goes from there. Amid these economic strains, the Congress Party—which through Gandhi and



"Clock-watching" that pays dividends in industry ... and STEWART-WARNER is there!

Accurate records of the *hours of actual operation* of machinery and equipment are essential to the establishment of the most economic maintenance programs, equipment utilization schedules, and standards of work performance.

Hobbs electric clock-type hour meters—a product of Stewart-Warner—lead the field in furnishing this important operating information . . . continuously, automatically, dependably. They take the guesswork out of equipment maintenance programs, and provide *accurate* data with respect to equipment utilization and machine output.

Hobbs hour meters have been adopted by such leading manufacturers as Allis-

Chalmers, J. I. Case, Clark Equipment, John Deere, Euclid, Hyster, International Harvester, Massey-Harris-Ferguson, Minneapolis-Moline, Oliver, Towmotor-Gerlinger, and Yale for use on their tow and lift trucks, tractors and industrial engines. They also have wide application on motor trucks, buses, boats and aircraft . . . and on all types of industrial equipment, such as power presses, machine tools, welding equipment, pumps and air compressors.

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Teamwork on the NEW MACKINAC BRIDGE

Bituminous Surface Laid Smooth and Fast by
CEDARAPIDS Paver with Continental Red Seal Power

This *Cedarapids Paver, surfacing Michigan's new Mackinac Bridge, is another fine example of teamwork between Continental Motors and leading builders of specialized machines. The job presented tricky problems, but the paver took them all in stride. In the bridge's length of nearly five miles are some 80 expansion joints, each with steel lips extending 1½ inches above the concrete bridge floor. Cedarapids' unique oscillating track rollers enabled the new paver to pass over the joints without disturbing the screed, and once under way, the work proceeded at 32 fpm.

*Product of Iowa Mfg. Co., Cedar Rapids, Iowa.

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ANY EQUIPMENT IS BETTER EQUIPMENT WITH
DEPENDABLE RED SEAL POWER

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Continental Motors Corporation
MUSKEGON • MICHIGAN

Nehru brought India independence—has been suffering loss of zeal, confusion of direction, and even corruption. To combat this trend, a so-called "ginger group" of dissident Congress leaders, with an essentially Socialist ideology, has been formed to spice up the party's spirit.

At the same time, a sizable group of Indian Congressmen, dissatisfied with the cloudy socialism of Nehru's government, thinks India must base its progress on more freedom—and lower taxes—for private industry. With their businessmen backers, they criticize the government—more often privately than publicly—for inefficiency and growing corruption. The recent exposure of scandals in the government-owned life insurance company lent weight to their case.

Government leaders, in turn, denounce the Indian business community (with exceptions, such as the Tatas) as dishonest and undependable. The constant charge is that the Indian businessman, like some European industrialists, "keeps three sets of books"—one for the tax collector, one for his partner, and one for himself. This mutual distrust contributes greatly to the sense of stagnation and disillusion now haunting India.

• **Vast Task**—Even without this mood, it would be fantastically hard for the Indian government to attain a rate of economic growth that the nation could sustain on its own. For instance, widespread disease saps the people's energies. Yet when antibiotics and DDT are used to check disease, they reduce the death rate without affecting the birth rate. So population grows as fast as economic output, and living standards for the masses scarcely change.

Or if the government induces peasants to use chemical fertilizers, then perhaps the monsoon fails, the earth is baked, and the fertilizer ruins the soil. So next time the peasants refuse to listen.

Or, by heavy investment in irrigation projects, the government manages to boost agricultural output a bit, but the hungry peasants begin eating a little more. So city workers are no better off—and a lot of capital has been spent.

Or the workers are taught to read and aspire for better things, then can't find work. So they grow bitter and join the Communist Party.

India's leaders are fighting off the temptation to let up like earlier rulers in hope that the masses will go on enduring their misery passively. But the ideals of Gandhi and the example of history—in Moscow, Peiping, and now Kerala—won't permit them to slacken. This week, the U.S. is betting \$225-million that they can achieve economic growth without using Communist compulsion. **END**



*Unretouched photo of tube blister...
the result of overheating*

...AND THEN THE BLISTER BROKE

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In Business Abroad

. . .

Private Oil Companies in Brazil Get Right to Explore in Bolivia

After a year-long hassle, Bolivia has given Brazil permission to develop large, rich oil properties in central Bolivia. The agreement, just signed, may open the door for U.S. and foreign oil companies to expand their oil exploration in Bolivia.

In 1938, Bolivia granted an 8.4-million-acre oil concession to Brazil—on the condition that Brazil would build a railroad between the two countries. The 1938 treaty gathered dust for 19 years. In that period, Brazil handed over all its exploration to Petrobras, the government's oil company.

Last year, Brazil finished building the railroad into Bolivia, then demanded its oil rights under the old treaty. Bolivia rebuffed Brazil, claiming its constitution prohibits foreign government oil companies—such as Petrobras—from operating inside its borders. In the heated debates with Petrobras, Bolivia even accused Brazil of trying to annex the oil-rich region.

Now the two countries have made peace. But Bolivia evidently has come out on top. The agreement states:

- Brazil will get only 40% of the original concession—and only private Brazilian companies can participate in the oil development.

- Bolivia's government oil company (YPB)—ironically—will control the other 60% "as it pleases." YPB is likely to obtain new income by granting concessions on its share of the property to such U.S. companies as Standard Oil of N.J., Pure Oil, and Gulf.

Petrobras is not only the loser, but now a target for criticism from within Brazil. Private Brazilian oil companies are asking: Why should we explore for oil in Bolivia when we might do the same thing right at home—side by side with Petrobras?

. . .

Output of German Midget Cars Falls Short of 1956 Growth Rate

West Germany's baby-car industry isn't growing so fast as it was two years ago. In 1957, the five or so major makers of midget cars turned out 186,420 units—only 2% above the 1956 figure. During 1956, the industry had grown 43%.

While some producers are lagging in the rough-and-tumble competition, others are striding along. Hans Glas GmbH boosted production of its tiny Goggomobil by 33% in 1957 to a yearend total of 43,650 vehicles. It has licensed Italy's Innocenti to produce the car in both Italy and France. It has been trying to negotiate a license agreement with Curtiss-Wright for U.S. production. BMW, another producer, is starting to push its Isetta car in the U.S., with first shipment of a new model flown here in December.

The industry's over-all sales may get a boost soon when Auto Union's DKW 600 and NSU Werke's Prinz—first exhibited at last year's Frankfurt show—move into production.

The Volkswagen, West Germany's best-selling car, isn't in for much of a face-lifting, according to Heinz Nordhoff, VW's managing director. He says the 3-millionth VW will be basically similar to the 2-millionth, which just rolled off the assembly line. He says the motor won't be switched from the rear to the front.

. . .

Argentina Plans Oil, Steel Expansion On Eve of First Post-Peron Election

With presidential elections—the first since dictator Peron's downfall—only two weeks away, Argentina's provisional government has gone ahead with expansion plans for two basic industries, oil and steel. It has signed contracts to:

- **Triple daily oil output** at the Lujan de Cuyo refinery. M. W. Kellogg outbid Foster Wheeler and the Lummus Co. for the \$30-million contract. Kellogg will take payment in dollars, sterling, lira, and pesos.

- **Boost steel production** at SOMISA's plant at San Nicolas. A West German consortium won the \$20.4-million contract for four Siemens-Martin open hearth furnaces, each of 225 tons capacity. Loftus Engineering Corp., Pittsburgh, is designing and installing the furnaces.

. . .

Business Abroad Briefs

New subsidiaries: In Northern Ireland, Warren Wire of Pownal, Vt., has bought 51% ownership in a new company formed jointly with Falk Stadelman of Britain and Falk's subsidiary, Irish Cables. The new company, called Wandelside Warren Wire, will manufacture electric cable. Initial capitalization is \$1.4-million . . . In Mexico, Champion Spark Plug Company of Toledo has formed a subsidiary, Bujias Champion de Mexico S.A. It represents an investment of about \$500,000 and plans to produce between 10-million and 15-million spark plugs annually for the Mexican market . . . In Britain, Hertz American Express International, Ltd., purchased Britain's Daimler Hire, Ltd., for about \$2-million. Daimler Hire Ltd., is the biggest chauffeur-driven and rental company in the U.K.

Suez Canal Co. officials and Egyptian authorities will sit down in Rome this month for talks on compensation, resulting from Egypt's seizure of the canal in 1956. The World Bank arranged the conference.

ENI, Italy's national oil agency, is reportedly buying the stock held by Belgium's Petrofina in Societe Orientale des Petroles, formerly the International Egyptian Oil Co. ENI, which already holds 26% of the stock, will have a controlling interest if it can couple its holdings with Petrofina's 25%. The Egyptian government and private Egyptian interests hold the remaining 49%.



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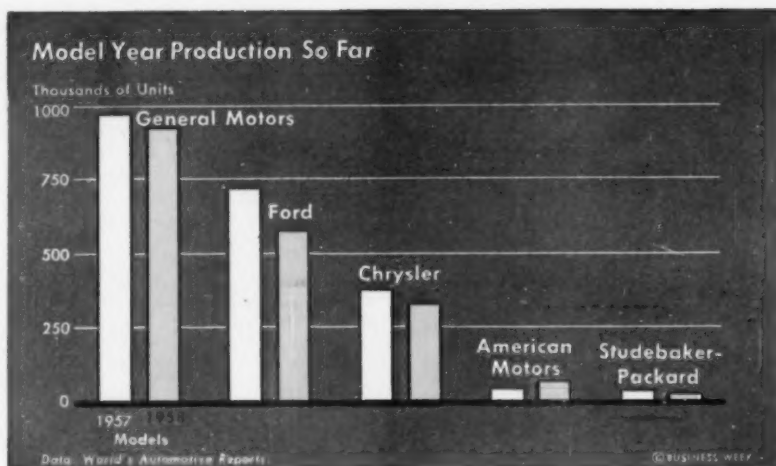
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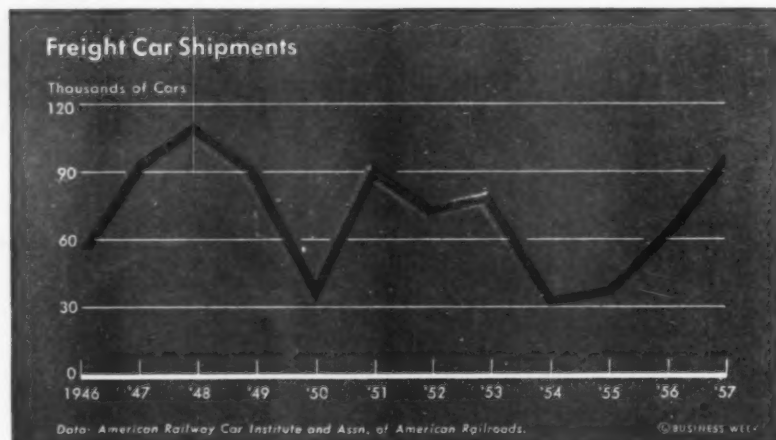


Lag of 11% for 1958 Models

Production of 1958 model passenger cars is down 11%, as compared to 1957 model year output, through the last week in January. Over the last five weeks the lag has been even greater—1958 cars have been coming off the assembly lines at a rate 20% slower than last year.

Among the auto makers, only American Motors shows a gain over 1957 models in its 1958 model output. Up to Jan. 25, American Motors had turned

out 63,845 units, compared with 42,673 at the same stage of the 1957 model run. That's a gain of about 50%. All the other companies registered a decline—though General Motors managed to increase its share of the industry total from 45.2% for 1957 models to 48.6% for the 1958s. Chrysler Corp. held about even—17.3% against 17.2% a year ago. Ford Motor Co.'s share, however, dropped to 29.2% compared with 33.9% in the 1957 model year.



Second Best Year Since 1925

Deliveries of new freight cars to the railroads last year totaled nearly 100,000 units—the second highest figure since 1925. In that period, the 1957 total was topped only by 1948. These deliveries drew heavily on the huge order backlog built up in 1955. At the

beginning of 1957, the order backlog was 117,257 cars; by this January it had been approximately halved, and stood at 55,941. New orders during last year totaled 42,051 cars, compared with 39,994 in 1956 and 163,033 during 1955.

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Time to Plan an Anti-Recession Program

The Administration still expects the recession to be a brief one, with business moving up by midyear mainly under its own steam. Nevertheless, it's plain that the Administration is not relying solely upon this hopeful expectation. It's also watching the economy carefully and preparing a program of more affirmative action, in case the business signs do not improve (page 25).

Planning an anti-recession program isn't easy—for political as well as economic reasons. Many tough decisions have to be made on the size, choice of instruments, and timing of an anti-recession program, should it be needed.

A careful Administration program, worked out well in advance of any further sharp decline (which would lift unemployment to politically insupportable levels) might forestall a Congressional Donnybrook that could lead to hasty, wrong-headed, demagogic legislation.

But what is a sensible program?

Given our grim and continuing contest with the Soviet Union, we take it as axiomatic that increased spending for national security in all its wide-ranging aspects—including not only weapons and missiles but also foreign aid and education—must take priority over tax reduction. These are jobs that we have to tackle at once—recession or no recession.

But taxes should be cut, we believe, if the overall scheduled rise in government orders and expenditures this year appears insufficient to check a more serious economic drop. A depression is always a calamity. But now, more than ever, a U. S. depression, which could breed economic collapse and political instability throughout the free world, might be as ruinous to our national security as a lagging missile program.

A tax cut is a fast-acting and powerful economic stimulant. But tax reduction, if it's required, demands special care. It must be geared to the probable size and rate of the rise in government spending, lest it go either too far or not far enough. It should be aimed primarily at stimulating consumption, the critical sector in this period of over-capacity. It should be distributed among taxpayers fairly. And it should be so devised as to avoid aggravating the inflationary pressures after the recession ends. In broad terms, therefore, we would favor:

- Primary emphasis on cutting individual income taxes in order to help consumption, but some reduction also in the corporation tax.
- Distribution of the tax cut among all income classes—both for the sake of equity and for the purpose of getting maximum stimulation across the entire economy. A tax cut that goes only to the lowest group will not do so much to strengthen demand—to take one example—for durable consumer

goods (a critically weak sector) as a more widely distributed reduction.

• A tax cut with an expiration date—so that, if it became necessary to reverse policy next year to check inflation, the chances of using fiscal policy promptly would be greatly improved. Then we would not again have to put all our reliance on super-tight money.

The time for such powerful anti-recession measures has not yet come, and we hope that it will not come at all. But the time for detailed and serious planning of the measures we should take if the recession shows no signs of dying a short and relatively painless death, is right now. We simply cannot risk serious depression because of remote and exaggerated fears of inflation.

Brighter Prospects

Thanks to timely financial aid from the U. S. and two international organizations, the outlook for the French economy—and for the European Common Market—suddenly has brightened.

Last year, as the French exchange and budgetary crisis deepened, it looked for a while as though France would not find a government capable of tackling the crisis and of gaining the confidence of potential lenders. Then finally the youthful Premier Gailard managed to put his country's financial affairs in order, and to satisfy Washington, the European Payments Union, and the International Monetary Fund that France had become a reasonable credit risk. Now, with substantial credits from all three, France should be able to cover its external deficit during the time it takes to bring its domestic inflation under control and its foreign payments into balance.

Sometimes the financial problems of our allies, and their calls on us for help, seem to be never-ending. In the present instance, however, it should be noted that this was the first time in a decade that France went into a crisis without having substantial dollar aid available. (In earlier crises, Paris could draw on Marshall Plan aid or on Indo-China aid.) This time, it is also a fact that West Germany, through the European Payments Union, stands ready to give almost as much help as the U. S.

In determining its own course, Washington was looking beyond France to the six-nation European Common Market and to the promise this venture in economic and political union holds for Western Europe. Without the financial assists just granted by Washington, Bonn, and IMF, it is hard to see how France could have had anything but a negative, if not destructive, influence on the formative phase of the Common Market that is just beginning. With the help they are getting, the French now have a chance to play a constructive role.

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